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# FINANCIAL TIMES

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## NEWS SUMMARY

### GENERAL

#### Observer talks last five minutes

Talks aimed at settling the dispute which threatens the existence of the Observer newspaper broke down after only five minutes.

The paper's management and the National Graphical Association—some of whose members are in dispute over Saturday shift payments—each had discussions with the arbitration service ACAS. After the two sides met briefly but decided there was no basis for a settlement.

Mr. Joe Wade, the NGA's general secretary, asked where the dispute went from there, said: "To the closure of The Observer." Back Page

#### Drugs probe call

International pressure is building for an investigation of reports that Bolivia's military is heavily involved in drug trafficking. Page 3

#### Britons 'safe'

Two medical missionaries and another Briton who disappeared in Iran after being called for questioning by revolutionary authorities are "safe and well", British Embassy officials in Tehran have been told.

#### Sinclair cleared

Ian Sinclair, a former Australian Primary Industry Minister, was found not guilty by a Sydney jury on all nine charges he faced of forging his father's signature on company returns.

#### Bomb charge

Italian police have arrested a man in Bologna in connection with the bombing at the city's railway station which killed 32 people.

#### Orchestra cash

BATS Industries is to provide \$60,000 sponsorship for the Philadelphia Orchestra through its du Maurier cigarette brand. Page 6 and Men and Matters, Page 12.

#### Hospital plea

Outbreaks of legionnaire's disease at Kingston Hospital, Surrey, have led to a call by the Confederation of Health Service Employees for a temporary closure of the wards there.

#### Port blocked

French trawlers lifted their blockade of Calais, Boulogne and Dieppe as arbitration got under way, but cross-Channel ferries using Le Havre were again affected. Page 2

#### Missiles pact

Britain, West Germany and the U.S. have signed a missile development agreement that could lead to contracts worth hundreds of millions of pounds for aerospace and electronics manufacturers. Back Page

#### Troops take over

Armed forces in the former Dutch colony of Surinam have resumed direct control of the South American country and forced the president out of office.

#### It's Christmas

Fifty guests will tuck into Christmas lunch at a public house in Bridgend, South Wales, on Saturday. The pub's manager hit on the idea to "take people's minds off unemployment and the bad weather."

#### Briefly...

Pensioner using a metal detector found a 320-ounce gold nugget worth about £75,000 in Western Australia.  
Otto, one of Britain's bravest police dogs, died, a few days before he was due to retire.  
Rome police seized 10,000 forged passports, with a black market value of £3m, at a printing works.

#### CHIEF PRICE CHANGES YESTERDAY

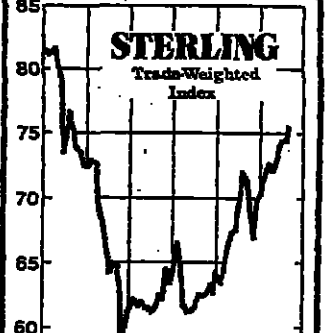
(Prices in pence unless otherwise indicated)

RISES		FALLS	
AGE Research	192 + 7	Shell Transport	416 + 8
Asso. Fisheries	78 + 3	Strata Oil	136 + 4
Astra Industrial	15 + 14	Ultramar	358 + 12
Brit. Home Stores	160 + 6	Harrisons Malaysia	Ests. 182 + 6
GEC	482 + 6	Anglo-American	Gold £41 + 14
General Accident	312 + 4	Haoma Gold	154 + 15
Hamro Life	255 + 7	Hartbeest	£303 + 11
Hampton Trust	73 + 3	North West Mining	140 + 12
Horizon Travel	270 + 15	President Brand	£221 + 1
House of Fraser	147 + 4		
Man. Agency & Music	143 + 9		
Marler Estates	52 + 6	BPC	24 - 3
McInerney	35 + 4	Kwik-Fit	851 - 34
Newmark (L)	403 + 23	L.C.P. Hldgs.	64 - 5
Reardon Smith A	71 + 3	Peerless	84 - 7
Royal Insurance	386 + 9	Phillips Lamps	395 - 32
Unilever	487 + 7	Ratcliffe (G. B.)	46 - 5
LASMO	710 + 18	Squirrel Horn	23 - 2

### BUSINESS

#### £ highest for 5½ years; gold up

STERLING rose to its best level for five and a half years, its trade-weighted index closing at 75.6 (75.5). It also reached a four-year high against the



The Bank reported indications that the rise in bank lending to the private sector was broadly in line with the trend in recent months.

These comments were accompanied by an extension of financial assistance to the banking system in an attempt to prevent a rise in short-term interest rates.

The problem has been to know what is happening to the money supply.

The latest figures provide detailed confirmation of the massive adjustments of bank business after the end of the

corset controls in June.

The corset had encouraged banks to shift business outside Sterling M3, the broadly-defined money supply, into uncontrolled channels.

The present official approach is to stress that the corset is to be relaxed, not removed, and that monetary policy is at present tight.

Consequently, immediate action does not need to be taken

sterling overseas, and in a big jump in bank holdings of gilt-edged stocks.

The Bank has not yet tried to quantify these distortions, and its comments yesterday may be only partially reassuring.

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## Bank's reassurance as money supply jump is confirmed

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The Government attempted yesterday to provide reassurance about its monetary policy following confirmation of a 5 per cent jump in the money supply last month.

A Bank of England statement accompanying the figures said that after allowing for special factors and distortions there did not appear to have been an acceleration in the underlying rate of monetary growth in July.

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## Laker to reduce U.S. air fares

By Michael Donne, Aerospace Correspondent

THE TRANSATLANTIC air fares war erupted again yesterday. Laker Airways announced big cuts in Skytrain standard fares, and new ultra-cheap economy class fares.

Sir Freddie Laker, chairman, said in London that the cheapest Skytrain standard fare to New York from October 15 would be £78, compared with the £82 stand-by rate to be offered by British Airways and Trans World Airlines.

The route to Los Angeles, he would offer a cheap standard single rate of £109, against BA's stand-by of £113, while to Miami he would offer a standard fare of £82 against BA's stand-by of £86.

A new Laker "Super Saver Economy" single rate to all three destinations will substantially undercut not only the normal economy fares offered by the rival airlines, but also their special "Super Apex" advanced purchase excursion rates.

The super economy rate to New York will be £82 single, against the normal BA economy rate of £109 single. To Los Angeles it will be £124 single (against BA's £278), while to Miami it will be £101 against BA's £210.50.

The Laker rate will also undercut the rival airlines' Super Apex rates. A Laker super economy return to New York will cost £184, against the BA super Apex rate of £184.

Sir Freddie stressed that while he was not worried by whatever his rivals in British Airways, Pan American or Trans World Airlines might do, he was ready to be flexible.

He would trim his fares further "if it is to our advantage on the day."

"The super economy and standard fares that I am offering are on the strict understanding that the seats are available—unlike my competitors," Sir Freddie said.

Under the new super economy fare, passengers could book when they liked, one-way or round-trip, stay as long as they liked, and still

Continued on Back Page Laker trims fare. Page 5

£ in New York

	Aug. 15	Previous
Spot	\$2,378.00/\$2,375.00	\$2,375.00/\$2,375.00
1 month	1.54-1.49 dis	1.46-1.41 dis
3 months	2.70-2.55 dis	2.50-2.45 dis
12 months	7.85-7.75 dis	7.75-7.65 dis

## BL Cars considers 3,500 layoffs as demand falls

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS is considering cutting 3,500 white collar jobs to contain costs following the sharp fall in the UK demand.

The state-owned concern, which already has more than 5,000 workers on short time, said yesterday that it hoped for up to 500 voluntary redundancies among manual workers at the Jaguar assembly plant, Coventry.

Last September, Sir Michael Edwards, BL chairman, said that at least 25,000 jobs would have to go over a two-year period, but the shakeout of labour has been faster than expected.

The company said last night it was difficult to provide detailed employment figures. But the scale of the cuts will clearly be greater than originally envisaged.

BL Cars' share of this year's reduced market has been less than forecast. Sales in the first seven months reached only 17.8

per cent, compared with 20.34 per cent in the same period. Workers' fears about job security have contributed to a dramatic improvement in productivity. At the Solihull Land Rover/Range Rover plant, man-

agement claims a productivity jump of around 30 per cent in the past two months.

But as output climbs, the market has turned down. At Jaguar, the risk of still further redundancies is increased because UK demand is flat while output has increased from 340 vehicles a week at the beginning of the year to 470 now.

The white collar section of the Transport and General Workers' Union claims that BL Cars is looking for a further cut of 15 per cent in the 25,000-strong staff workforce, which includes supervisors and design and computer staff.

The company last night claimed not to recognise the figures but pointed to its aim of reducing overheads and cutting costs.

The management at Jaguar's Browns Lane assembly plant in Coventry opened negotiations with unions yesterday on a proposed cut of between 300 and 500 from the 4,000 manual workers.

The redundancy announcement is the second time round for many Jaguar workers. Painting of the Jaguar was transferred to Birmingham some 18 months ago, with the opening of a £25m plant at Castle Bromwich.

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An exultant President Carter celebrates as Texas votes give him the nomination. Mr. Robert Strauss, his campaign manager, joins in the applause.

## Carter faces hard task

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

PRESIDENT JIMMY CARTER faced the difficult task last night of igniting enthusiasm for his November election campaign, after securing his re-nomination as the Democratic Party's candidate in the early hours of yesterday morning.

His acceptance speech to the party convention assumed particular significance, given the distinctly flat proceedings that were crowned by his nomination, a marked contrast to the high theatre and excitement of Tuesday night when Senator Edward Kennedy captured the imagination, if not the minds, of the assembled delegates.

Mr. Carter's actual victory margin, 2,129 for himself to 1,146 for Mr. Kennedy and 43 for other candidates, was noteworthy for the fact that only about 100 Kennedy delegates switched from their defeated leader, though he had withdrawn his name from nomination on Monday night and formally released his delegates to vote their consciences before the nomination rollcall began.

Even Mr. Kennedy's formal pledging of support for Mr. Carter was withheld until after the state of Texas' vote had assured the President of the nomination. Then Mr. Thomas "Tip" O'Neill, Speaker of the House of Representatives and chairman of the convention, interrupted the vote to read the Kennedy message.

It ran: "I congratulate President Carter on his re-nomination. I endorse the platform of the Democratic Party. I will support and work for the re-election of President Carter. It is imperative that we defeat Ronald Reagan in 1980. I urge all Democrats to join in the effort."

Yet even this statement, unequivocal though it sounds, could not dispel yesterday's lingering doubts as to whether the two rivals had really buried

the hatchet. There was no immediate meeting between the two.

Earlier Mr. Carter went some way to meet the objections of Kennedy liberals with a carefully worded statement fudging his reservations about key parts of the party's platform adopted by the convention. He promised in effect to honour the spirit, if not the precise policies, on jobs and women's issues in particular, dictated by the convention.

What Mr. Carter now needs to do is to give the convention, and by extension the voting public at large, reason to support his candidacy in the campaign proper.

It may not be enough merely to accentuate the negative by stressing the threat implicit in the person and policies of Mr. Ronald Reagan, the Republican nominee, though such an attempt is certain to comprise an integral part of the President's efforts.

Interestingly, Mr. John Anderson, the independent candidate, was in New York yesterday, nakedly attempting to seduce disaffected liberals. He had promised to name a Democrat as his running mate before the end of the month, and announced that his campaign chairman would be the well-known liberal Republican Mrs. Mary Crisp, co-chairman of the Republican Party until ousted by Mr. Reagan's supporters last month.

Mr. Anderson said he had discussed the Vice-Presidential nomination with Mrs. Shirley Chisholm, the prominent black Congresswoman, and a senior campaign manager's role with Mr. Patrick Lucey, former Governor of Wisconsin and adviser to Mr. Kennedy. But both had replied that it would not be appropriate for them to make any commitment while

Continued on Back Page Convention report Page 3

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<b>Berkeley Square</b> Economical ground floor suite in this prime position New lease 3,700 sq. ft. (PARE/0007)	<b>Parker Street</b> Air-conditioned s/c suite in modern building Lease for sale 2,620 sq. ft. (JMS/0009)
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## EUROPEAN NEWS

## 16,000 Polish shipyard workers join strike

WARSAW—Sixteen thousand workers at the Lenin shipyard in Gdansk went on strike yesterday, calling for higher pay, reinstatement of sacked workers, free unions and publication of their demands in the Polish Press, dissidents said.

The strike in the shipyard, where stoppages ten years ago led to the downfall of Communist Party leader Wladyslaw Gomułka, posed the most serious challenge to the authorities since labour unrest broke out in Poland six weeks ago.

In Warsaw a four-day-old partial public transport strike again caused problems for

commuters when bus, taxi and train drivers refused to work, despite offers of higher pay.

The dissident Self-Defence Committee (KOR) said workers at the Lenin shipyard were holding a mass meeting in the Baltic port area had ignored calls by management to return to their jobs.

Earlier officials confirmed that pay talks were taking place but denied that there was a strike.

The KOR said the dispute began in protest against the sacking of a woman employee, and there were also calls for higher pay. Shipyard workers

already earn more than 10,000 zloty (£140) a month, double the national average.

There were also reports of stoppages in the cities of Wrocław and the Lodz suburb of Aleksandrow Łódzki, according to KOR. In both cases workers demanded higher pay and better supplies to shops.

In Warsaw, tram, bus and taxi drivers continued striking despite offers of higher pay, and there were reports that people were forcing the few trams running to return to their yards.

Workers at four of the city's five tram depots were on strike and the tram lines

in many parts of Warsaw were deserted.

Bus drivers, who were offered a 2,200 zloty (£31) pay rise, resumed work in five of the city's seven depots.

Municipal taxi drivers were also striking in Warsaw where, for the first time since the strikes began six weeks ago, the full effects of the labour unrest have been clearly visible to the public.

There were two new strikes yesterday—by street maintenance workers in a Warsaw district demanding 50 per cent pay increases and by construction workers in Lodz.

## Halt called to Italian banknote fiasco

By Rupert Cornwell in Rome

HOLDERS OF 1,000,000 (£50) banknotes in Italy can breathe again. The three-day edict which had made them virtually useless was withdrawn yesterday by the same Calabrian magistrate who imposed it, Sig. Francesco Colicchia.

In its brief life, the provision, ordered by Sig. Colicchia with the aim of helping identify those involved in "laundering" kidnap ransom payments, succeeded in bringing confusion to Italian banking, commerce and retail outlets of every kind.

People left holding the notes found that almost no-one would accept them. Banks were faced by a stampede of people seeking to change them. Irritated queues formed as cashiers, complying with the magistrate's instructions, laboriously took down both proof of the identity of the person desperately trying to get rid of them, and the serial numbers of the banknotes.

Indeed, such was the disruption, even in the traditional mid-summer lull here—and the risk to the reputation of the Italian currency and the vital tourist industry—that Sig. Colicchia was forced rapidly to reverse his order.

This farcical episode, however, leaves unanswered more fundamental questions about the powers of magistrates in Italy, and about the Government's lack of central executive authority of the Government.

For three days an investigating magistrate in Reggio Calabria proved to have more influence over the day-to-day management of the economy than the Government in Rome.

Under the powers invested by the constitution in the magistrature, the Bank of Italy and Treasury Ministry could do no more than helplessly order Sig. Colicchia's edict to be observed, whatever the chaos it was causing.

## Swiss jobless at 0.2%

SWISS unemployment last month fell to its lowest level since March, 1975, with only 4,714 people registered at labour exchanges as jobless. John Wicks writes from Zurich. This is fewer by 44.9 per cent than the level in July last year and equals 0.2 per cent of the national work-force.

## Moscow presses for talks on nuclear weapons in Europe

MOSCOW — The Soviet Union yesterday again called on the West to begin immediate talks on limiting nuclear weapons in Europe.

An article in Pravda, the Communist Party newspaper, also attacked the new U.S. concept of a limited nuclear strike, saying Washington "was dancing" on a nuclear threshold.

Earlier this month, President Jimmy Carter signed a policy directive which places less emphasis on all-out U.S. retaliation to a Soviet nuclear attack and more on destroying military targets.

In the Pravda commentary, Mr. Yuri Zhukov said: "The pressing task of the peace-loving public is to open negotiations as soon as possible, negotiations in which the West is interested no less than the East."

Mr. Zhukov repeated the Kremlin's view that talks on the reduction of nuclear arms

should embrace Washington's forward-based systems which include nuclear-equipped aircraft in Europe and the Mediterranean and submarines lying off Europe.

Mr. Zhukov said that the U.S. had deliberately held back from answering Moscow's call in June for immediate European arms reduction talks because it was putting the finishing touches to its limited nuclear strike strategy.

He repeated that the Soviet Union and its Warsaw Pact allies were capable of taking all "necessary retaliatory measures and will not tolerate violation of the existing strategic balance of forces (in Europe)."

The Soviet Union argues that last December's decision by NATO countries to deploy 572 Cruise and Pershing-2 missiles in western Europe from 1983 would tilt the East-West balance of nuclear forces on the continent firmly in NATO's favour. Reuter

## Subsidy 'threat to Comecon growth'

BY LESLIE COLT IN BERLIN

A SHARP growth in East European state subsidies to industry and the consumer is leading to reduced incentives for increasing growth prospects and thus living standards in the Comecon countries. This is the conclusion drawn by a study of the extent of subsidies in the East German budget by the West Berlin-based German Institute of Economic Research (DIW).

The analysis comes at a time when the Polish Government is attempting to reduce the burden of subsidies by raising meat prices and is feeling the backlash from striking workers who are demanding ever higher wages. In Hungary, on the

other hand, the Government has managed gradually to reduce subsidies while convincing workers that temporary fall in their real income will be made up by improved supplies and eventually higher living standards when competitiveness improves.

Industrial and consumer subsidies in the current East German budget make up nearly 37bn Marks (£5.8bn) out of total expenditures of 135bn Marks (£20.7bn). This does not include traditional state expenditures for education, health, social insurance, culture, sport and communal services which total another 53bn Marks. The last five-year plan ending in

1975, subsidies were twice as high as budget outlays for research, transport and investments. In the past four years, they have been three times this amount. However, the study notes that research and development are mainly financed by state companies along with investments which have been frozen at last year's level.

Subsidies in East Germany go to industry to make up for the uneconomical production of certain essential products as well as to agriculture in the form of higher purchase prices for the output of some state co-operatives. These producer subsidies are expected to cost approximately 14bn marks this

year.

Far more important are the consumer subsidies to maintain low prices for basic foods, essential consumer goods, public transport, repairs and services. These total 16.4bn Marks in this year's East German budget.

Rent subsidies total another 7.1bn Marks. The rents collected from East German apartment dwellers cover only one-third of the state's running maintenance costs and thus explain why old buildings are seldom repaired. Some subsidies for non-essential consumer goods are to be eliminated beginning next year as part of a cautious attempt to bring some prices in line with costs.

## Greeks seek foreign help in oil hunt

By Our Athens Correspondent

GREECE, WHICH relies heavily on imported fuels, has decided to call in foreign companies to help its ambitious oil exploration programme. Crude imports are expected to cost Greece \$3bn (£1.3bn) this year, placing a heavy burden on the economy and creating serious balance of payments problems.

The state-controlled Public Power Corporation (DEP), set up to handle oil exploration, is having its budget increased to Dr 17bn (£170m) in the next five years. This is estimated to be sufficient to finance only 10 per cent of Greece's possible oil deposits. As a result, foreign companies will be asked to bid for oil exploration concessions in various areas. Exploration work will be under the supervision of the DEP and will help Greek technicians acquire the necessary know-how.

The areas in which foreign companies will be asked to look for oil are the Ionian islands of Paxos and Antipaxos, the north part of the Ionian island of Lefkada, the western coast of the mainland, the south western Peloponnese, southern Crete and the area of south of the island, and the Nestos river estuary in northern Greece.

## Danish trade deficit

DENMARK'S trade deficit for the first half of the year rose by Dkr 2.5bn to Dkr 10.2bn (£790m). However, the figures for this year are not fully comparable with last year's figures as a result of changes in customs registration procedures, writes Hilary Barnes from Copenhagen. When these are taken into account, the trade deficit should be about Dkr 11.4bn this year.

## Yugoslavia eases prices freeze

BY ALEXANDER LEBL IN BELGRADE

YUGOSLAVIA is to relax substantially the price freeze introduced in conjunction with the 30 per cent devaluation of the dinar on June 6. The Federal government has agreed with the constituent republics and autonomous provinces on a new regime that does not provide for completely free pricing but offers selective increases consistent with the existing policy of stabilisation.

Despite the freeze, prices have been going up. Some, such as petrol and other oil products, were raised by the Government itself, reflecting both the devaluation and the higher prices charged for crude by OPEC and by the Soviet Union.

Wheat prices were increased as an incentive to farmers leading to dearer bread and other bakery products. Prices of coffee and detergents, both in short supply, were also increased. In addition, producers, traders and importers found ways of increasing prices although they were supposed to stay unchanged until the agreement now signed was negotiated.

Retail prices went up by 3.6 per cent in June compared with May in spite of the freeze, and by 3.8 per cent in July over June. In the 12 months to July retail prices increased 29.8 per cent and the cost of living 29.5 per cent. With the ending of the freeze, inflation could attain

some 35 per cent on the year-to-year basis by the end of this year.

At the same time, the increase in wages, salaries, and pensions has been kept well below that of the cost of living. This fall in real earnings, if it lasted long, could endanger productivity and run the risk of fuelling social tension. Mr. Veselin Djuranovic, the Prime Minister, recently said in an interview, that conditions would have to be created under which real wages could again start increasing in the near future.

As import restrictions start to bite, industrial production has been slowing below even the revised lower targets.

## RIOJA'S TRADITIONAL VINEYARDS AT ODDS WITH BIG PRODUCER

## Quality dispute divides wine trade

BY OUR MADRID CORRESPONDENT

A DISPUTE about quality control is causing deep divisions within the Spanish wine trade. It centres on the Rioja region in northern Spain, which provides the country's finest and best known wines.

Lined up against each other are two groups of wine producers. On the one hand, there are the eight traditional wine houses of the region—Marques de Riscal, Marques de Murrieta, Casa Martinez La Cuesta, Bodegas Bilbainas, Cune, La Rioja Alta, Bodegas Riojanas and Lopez Heredia. These pride themselves on their reputation for high quality output. In the other camp are the wine interests of Rumasa, Spain's largest private holding company, which is owned by Sr. Jose Maria Ruiz-Mateos and his family.

In under 15 years he has established a major position in the Rioja business and now controls about 30 per cent of the production and sale of all Rioja wine. Rumasa is under fire for allegedly undermining the quality of the wine.

The dispute has been simmering for several years but is coming to the surface now because of Rumasa's growing weight within the trade. Rumasa is credited with having mechanised the business in many important respects. But some of these modern methods are criticised by oenologists. For instance, cost-effective ways of speeding up the maturation process of wine are criticised for lowering quality.

Supporters of Rumasa argue that this criticism is levelled because competitors are un-

able to lower their costs either through outdated management techniques or through lack of scale of their operations.

There is also controversy about the application of Spain's *appellation controlee* regulations. In practice, these controls, introduced in 1970, are regional rather than quality controls. Much effort has been devoted to prevent producers buying in cheaper grapes from outside the Rioja region and then mixing and selling them under a Rioja label.

But control is lax on other aspects and even officials concede that "the application of the regulations is deficient." A more fundamental problem in quality control is that the Rioja region has only one denomination. Yet the region covers 120,000 acres and 131

municipalities. In Burgundy, by contrast, which covers 18,000 acres, there are 70 different denominations.

Despite the size of the Rioja region there are only 12 Government inspectors, yet the system has worked until now because of a sort of gentlemen's agreement among producers, in which everyone benefited from buying the cheaper grapes from outside Rioja.

The traditional producers argue that there should now be a clear distinction between areas on the basis of quality. This would mean a division between the south of Rioja (low quality) and the north-west, and especially in Leon province and the foothills of the El Bierzo Cordillera (high quality).

## Offpeak holidays urged on Spanish

BY OUR MADRID CORRESPONDENT

SPANIARDS MAY be encouraged next year to leave their beaches free for foreigners during July and August. They are also going to be strongly dissuaded from taking their holidays abroad.

This "programming of Spanish holidays" as one leading local newspaper has written, is the outcome of a meeting between the Government, unions and the leading employers association, when it was agreed to offer incentives to Spaniards to take their holidays in the off-peak months, and that further restrictions should be placed on their travelling abroad.

The aim of the first measure is clearly to entice more foreign tourists to Spain in July and August with the promise of greater hotel space.

The second seeks to ensure that Spaniards continue to spend less abroad than foreign tourists spend in Spain.

The Government has proposed a plan for civil servants to take their holidays in June and September, labour contract incentives encouraging workers to take off-peak holidays, and special offers of cheap holidays for pensioners, administered by the Ministry of Health and Social Security, at any time except July and August.

In addition, more restrictions are to be placed on the amount of money Spaniards may take abroad. At present they may take Ptas 80,000 (£475) on each trip up to four times a year.

The proposals have been greeted with considerable scepticism.

## Battle looms for the gold in Europe's budding central bank

A DISPUTE may be brewing within the European Community over the future of an obscure institution with the impressive title of the European Monetary Co-operation Fund.

Set up by the Community's central banks to administer currency intervention and credit arrangements within the Nine, the monetary co-operation fund is, for the time being, nothing more than a brass plate on an office block near Luxembourg railway station.

Yet it is the formal holder of assets in gold and dollars worth well over \$60bn, somewhat more than the combined gross national products of Peru, Portugal and the Philippines. And, according to an edict by Community heads of government, it is due to be transformed eventually into a far grander institution—a kind of European central bank—as part of the development of Europe's currency stabilisation scheme, the European Monetary System.

Gold is a key issue. The monetary co-operation fund is now a mere book-keeping entity. Its accounts are run not from the Community's central bank but from the Bank for International Settlements, the central bankers' bank in Basle.

But one of the monetary co-operation fund's jobs (now done by the Bank for International Settlements) is to administer the partial pooling of the Community's gold and dollar reserves, a principal innovation of the European Monetary System arrangements.

effectively mobilises part of official gold holdings. Community central banks are awash with liquidity.

This is not to the liking of the more stability-minded members of the Community, the West Germans and Dutch. They see the expansion of liquidity as one of the obstacles in the way of the monetary system's ultimate aim—to reduce inflation.

This could have a vital bearing on the plan to upgrade the monetary co-operation fund. Under the plan, set out by heads of government when the monetary system arrangements were agreed in December, 1978, the monetary co-operation fund is eventually to be turned into a full-fledged European Monetary Fund. This latter institution is intended to stitch together the intricate web of financial mechanisms which up to now have been spun in a rather random way around the European Monetary System.

The Monetary Fund is intended to have complete ownership of the gold and dollar reserves which, under the reserve-pooling scheme, are at present only temporarily deposited with the Monetary Co-operation Fund. And it is supposed to administer the credits made available to countries which either need short-term funds to help to support their currencies in the markets, or else are in long-term balance-of-payments difficulties.

The original plan was to set up the Monetary Fund by March 1981—two years after the European Monetary System itself started. This aim was reaffirmed only last November

David Marsh reports on the dispute brewing over the European Monetary Co-operation Fund, intended one day to become the European central bank. As a result of booming bullion prices, the fund now holds gold and dollar assets worth over \$60bn, more than the combined gross national products of Peru, the Philippines and Portugal.

at the meeting of heads of government of the Nine in Dublin. But even before then it had become clear that the timetable would not be met—partly because of the West German and French elections this autumn and next spring. Now so many uncertainties have arisen—particularly over the role of gold—that there must be doubt whether the fund will ever start operations.

Some Community bankers appear privately to think it would be no great shame if the European Monetary Fund never did get off the ground.

At first sight, the European Monetary Co-operation Fund's operations look quite unconvincing. It has two main roles. One is simply to keep account of the debts and claims which the Community central banks

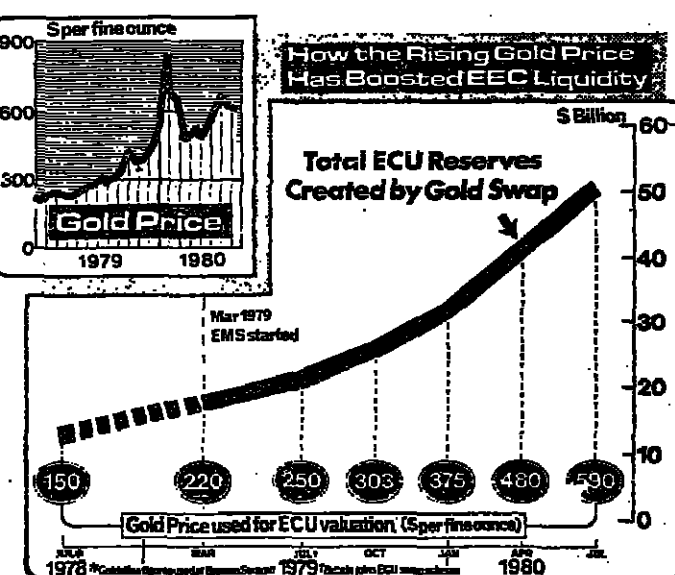
run up when they make short-term borrowings from one another to marshal the funds needed for supporting currencies in the market. This operation follows directly from the monetary co-operation fund's original aim, when it was set up in 1973 to administer the European currency "snake," the forerunner of the European Monetary System.

However, there has been a significant difference under the monetary system. A substantial amount of Community intervention to support currencies has taken place during the 17 months since the system started. Much of it has been carried out before currencies actually reached the limits set by the scheme—which has led to the central banks' activity taking rather a low profile.

Because Community central banks' reserves are much higher than a few years back, many of the funds needed for intervention have been obtained not, as in the old days, through borrowings from the Monetary Co-operation Fund, but simply by drawing down existing reserves.

One key purpose of the monetary co-operation fund as a source of finance has thus been substantially diluted. The healthy state of Community liquidity could be one reason why no one will be very worried about a delay in proceedings with the embryonic European central bank.

The monetary co-operation fund's second role is more novel. Under the terms of the European Monetary System, Community central banks deposit 20 per cent of their gold and dollar reserves on a three-month temporary "swap" basis.



They receive in exchange stocks of European Currency Units (ECUs), the Community's composite currency "cocktail." These are held in their reserves and can be used to settle intervention debts and make other official transfers. The Bank of England has participated in the ECU scheme since July last year, even though Britain is not a member of the exchange rate mechanism of the monetary system.

The European Community effectively re-monetised part of its gold holdings by agreeing on a formula to turn gold into ECUs at a market-related price—the average market price of the previous six months, or the price of the last working day of the quarter, whichever is the lower.

When the Community was first working on the details of

the scheme at the Bremen summit in July, 1978, the gold price was around \$180 an ounce. Using an indicated level of around \$150 an ounce, the Governments of the Nine thought about \$13bn worth of ECUs would be created in this way. The gold price is now over \$600 an ounce. As the chart shows, the rise has led to a progressive increase in total ECUs created by gold revaluation until, on the date of the latest quarterly recalculation last month, it had reached the startling figure of \$50bn.

Total ECUs in Community reserves, taking into account the units created by dollars as well, are now worth around \$65bn. This is much larger than even the \$50bn figure banded around at the Bremen summit as the sum which could eventually be amassed at the

monetary fund when a \$25bn portion of national currencies was included.

So far, the only Community country to reap much benefit from the gold-into-ECUs mechanism has been Belgium. The Belgian franc was one of the weakest members of the system during its first year of operation, although it has recently stabilised above the Deutsche Mark. The Belgian central bank has had to draw down its ECU holdings to finance intervention to prop up its currency.

Mr. Jacques van Ypersele, the economic adviser to the Belgian Prime Minister, admits that the rise in the gold price has increased the mobility of Belgium's gold reserves—although he says the benefits have not been undue.

Some other Community members might dispute this. It has not escaped the attention of the Bundesbank that Belgium has during the past year or so used Deutsche Marks borrowed on the West German capital markets to prop up the Belgian franc. Some West German officials have expressed surprise at the lengths to which the Belgian authorities have gone to avoid a currency devaluation.

France and Italy, the European Community's two main gold-owning countries after West Germany, have seen their currencies performing better than expected, and the Banque de France has even had to intervene to keep the French franc from breaching its upper limits in the system.

The lira, however, has come under increasing pressure, with in the past few months, and is now at the bottom of the system. The Bank of Italy has



M. Mitterrand: Socialist support for trawlermen.

## Fishermen again block Le Havre

By David White in Paris

BY DAVID WHITE IN PARIS LE HAVRE, France's second most important port, was again blockaded yesterday as the first arbitration procedures got under way in a bid to resolve the three-week-old Boulogne trawler dispute. Trawlermen are resuming moves to cut crew levels and pay as a result of fishing companies' financial problems.

Blockades at other Channel ports had been lifted and French Railways said passenger traffic was back to normal at Caen, Boulogne and Dieppe. Prospects for today and the weekend were uncertain.

In Le Havre, French navy vessels broke up a line of fishing boats across the harbour entrance yesterday morning, cutting their moorings. But the port was later sealed off again, and car ferry operators said that there were no services to or from Le Havre.

The nearly oil terminals were not affected, according to the Total oil group. The protest movement continued at a number of fishing ports stretching from the Belgian border to Brittany, after Wednesday's day of action in Boulogne.

The French Socialist party has demonstrated its support for the trawlermen, and M. Francois Mitterrand, the Socialist leader, has sent a letter asking M. Joel Le Theule, Minister of Transport, to rescue Socialist MP's to discuss aid for the fishing industry.

## Interest rates fall in France

By Our Paris Staff

FURTHER easing of French interest rates was expected yesterday when two of the country's largest banks led the way in announcing their intention to cut half a percentage point from their base lending rates from next Monday.

The move by the state-sector Societe Generale and the private-sector Credit Commercial de France, is expected to be followed by other banks. Their lending rate to prime customers is down to 12.25 per cent.

The reduction brings bank rates more closely in line with day-to-day money rates, now down to 11 per cent. The authorities hope the easier trend will relieve some of the pressure from the franc,

intervened substantially this summer to support the currency (although it is still some way off its lower limit).

The Bundesbank is too polite to voice its fears out loud. But it is afraid that if currencies like the French franc or the lira were in real trouble, central banks could draw on plentiful supplies of ECUs rather than be forced into a necessary devaluation.

The Bundesbank, however, has served notice about its feelings on the eventual setting up of the monetary fund. It stressed in its annual report in April that the monetary fund can be set up only along lines "fully compatible with the European Monetary System's aim of creating a zone of stability in Europe." Dr. Leonhard Gleason, in charge of foreign exchange operations, said this summer warned that the Bundesbank might seek a "modification" of the gold-into-ECUs mechanism. He has also stated that the monetary fund must be completely independent from national governments—in fact should be modelled on the strictly independent Bundesbank itself.

This latter requirement, in particular might run into opposition from the French Government, which has different feelings from the Germans about the degree of freedom which should be enjoyed by central banks. But with \$50bn worth of gold reserves at stake, the Bundesbank obviously feels this is a prize worth fighting for.

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## THE BILLION DOLLAR BOLIVIAN CONNECTION

## Call for probe into junta's drugs link

BY HUGH O'SHAUGHNESSY IN LONDON AND IAN HARGREAVES IN WASHINGTON

PRESSURE is building in the U.S. and the European Community for a full investigation of reports that Bolivia's new rulers are deeply involved in the international traffic in narcotics, which nets the country nearly \$1bn (£420m) a year.

The U.S. is closing its anti-narcotics bureau in Bolivia and has withdrawn 40 of its diplomatic staff of 120 in La Paz, the Bolivian administrative capital. In London, the Foreign and Commonwealth Office said that plans for an ambitious £20m scheme to aid Comibol, the Bolivian state mining concern, had been cancelled in the light of the July 17 military coup. The scheme was Britain's largest aid project in Latin America.

The FCO added that Britain had been the first member of the EEC to express concern at the takeover by Gen. Luis Garcia Meza. The EEC has dropped discussions of economic co-operation with Bolivia and Belgium has halted a plan to loan Bolivia \$5m (£250m). A question mark hangs over the voting intentions of EEC member countries on applications

by the Garcia Meza government for aid from the World Bank and the IMF.

The FCO added that the coup in Bolivia had been condemned outright by the Nine and that Britain's own diplomatic relations with General Garcia Meza were being kept to a low level.

Washington, which fought hard in recent months to head off the threatened military coup and ensure that fair and effective elections were held in Bolivia, has stepped up its actions against Gen. Garcia Meza.

The U.S. State Department yesterday advised U.S. citizens not to travel to Bolivia. At least 18 Americans have been detained for varying periods of time since the coup.

Senator Dennis DeConcini, a Democrat from Arizona and an investigator of several anti-drugs efforts in the Western U.S., is calling for a full meeting of the Senate Appropriations Subcommittee for Foreign Affairs to assess the charges against the Government of Gen. Luis Garcia Meza.

Senator DeConcini said that "information from highly reliable persons—believed to

be in the U.S. anti-narcotics bureau and the State Department—had led him to believe that several serious charges could "on the whole be confirmed." These include:

● That narcotics traffickers in Santa Cruz helped finance the July 17 coup which put Gen. Garcia Meza in power.

● That the drug smugglers have continued to be a major source of financial support for the regime.

● That large payments have been made in person by Jose Abraham Baptista, a known drug trafficker, both to the General and to the commander of the garrison at Santa Cruz—Bolivia's second city.

● That two of Jose Abraham Baptista's relatives have been made officials in the Bolivian customs service.

● That Col. Luis Arce Gomez, the country's Minister of the Interior, has a longstanding connection with major drug traffickers and has been accused of using that position to undercut drug enforcement efforts.

● Col. Ariel Coca, the Minister of Education, was implicated in a 100 kilo cocaine seizure in

Panama in 1978.

The State Department would not comment directly on any of these matters, but said the Bolivian anti-drugs officers had been withdrawn "because it is our feeling that a drug programme would not be fruitful in the current circumstances."

An official added that the department would co-operate fully with any hearings called by the Appropriations Committee. Another Government official commented that the people involved in the Garcia Meza government and the allegations were not unknown to drug enforcement officers. "What is new is their access to power."

The U.S. Government has already suspended U.S. economic and military assistance to Bolivia. This, Senator DeConcini said, was "a sound response and should be continued until this and other questions are resolved."

The export of coca-based narcotics is now the principal source of export revenue for Bolivia, exceeding that from the country's traditional staple, tin.

Over the past decade however the processing of coca leaves into cocaine paste or refined



cocaine has boomed. The trade is centred on the south-eastern city of Santa Cruz and from there is regularly dispatched to the narcotics connection in the U.S., often through Colombia or the Caribbean. A U.S. narcotics officer estimates that Bolivia produces 27,000 tons of coca leaves over and above its legitimate needs. Refined into 100 tons of pure cocaine this would earn \$1bn in export income.

There is no doubt that senior military figures are closely involved in the export of narcotics which could not continue at its present high level without their ready co-operation.

## Rail price immunity scrapped

By Paul Betts in New York

THE INTERSTATE Commerce Commission (ICC), an independent U.S. government agency, has removed the anti-trust immunity which allowed railways to price their services collectively in a move to increase competitiveness in the industry.

The commission justified its action in scrapping the 1948 anti-trust immunity on the grounds that collective rates stifled competition.

The surprise ruling has disturbed the industry which claims that the move could have negative effects as long as railways were still bound by federal price controls. These, the industry claims, mean that there is not the flexibility to remain competitive.

Industry members may seek a federal court review of the ruling unless Congress finally passes a long-awaited Bill to remove price controls and allow railways the same competitive conditions permitted to other industrial sectors.

The unexpected ruling was also seen as an attempt by the agency to speed the introduction of legislation aimed at the so-called "deregulation" of railways.

A Bill for the deregulation of railways is bogged down in Congress. Opponents of the legislation have introduced a key amendment significantly limiting the railway's freedom to increase rates for carrying coal, their main freight.

The ICC ruling could stimulate the railway lobby in Congress to attempt to get the new Bill through without the controversial amendment.

There appears to be broad consensus that U.S. industry as a whole would prefer to have changes in railway regulations introduced by federal legislation rather than by the administrative intervention of the commission.

The ruling is also widely seen as another chapter in the Carter Administration's battle to abolish price controls on U.S. industry to make it more competitive.

When the ICC started to deregulate the U.S. trucking industry on its own last year, a move to get legislation through Congress gained momentum and a Bill was approved earlier this summer.

## Sugar-coated message from proud Carter

BY DAVID BUCHAN IN NEW YORK

"I WILL proudly run on the platform of the Democratic Party," President Jimmy Carter told delegates on Wednesday night in his formal convention on the policy statement agreed by the Democratic convention in New York.

In a markedly conciliatory message just before his nomination, Mr. Carter did not flatly repudiate the public spending job-creation programme pushed through by the forces of Senator Edward Kennedy. Instead, he expressed a few sugar-coated reservations.

It mollified the Massachusetts Senator to the extent that he at last pronounced his endorsement of Mr. Carter as the nominee. It also won important acceptance from leaders of the AFL-CIO union federation whose many members spread around the state delegations helped to defeat the President earlier in the week. While "enthusiastically endorsing" the goal put forward by Senator Kennedy, the President reminded delegates he could not be tied down by the party's policy platform, and needed some freedom of manoeuvre.

Equally important, the Administration squashed an effort to limit petrol price increases caused by government taxes. Mr. Carter's oil import fee was crushingly defeated in Congress last May, but he has promised in a second term to propose instead a direct petrol excise tax increase to curb consumption.

Foreign-policy debate was minimal this week. Iran, for instance, went unmentioned. Mr. Carter defeated anti-nuclear motions calling for a freeze on new weapons testing and for a halt in the mobile MX nuclear missile programme.

Message

Mr. Carter offered reassurance to Senator Kennedy's numerous Jewish supporters. "Unlike the policy of previous Republican administrations, there have been no arms cut-off, or re-assessment of policy (towards Israel), nor will there be under a Carter Presidency," his message to delegates read.

The comment was interesting because of the widespread assumption that, if Mr. Carter wants during a second White House term to build on his Camp David peace achievements, he will have to take a tougher line with Israel to make concessions.

In pursuit of party unity, Mr. Carter is sure to stress in his

## FT journalist 'was threatened with death'

BY OUR FOREIGN STAFF

MARY HELEN SPOONER, the Financial Times correspondent held for six days by Bolivia's military government, was on her way back to her home base in Santiago, Chile, last night after describing the conditions under which she was detained.

Miss Spooner, who left La Paz, the Bolivian capital, for Lima, Peru, on Wednesday, accompanied by editorial colleagues of the Financial Times and the Economist, told Associated Press she had been held in a euphoric and "threatened with death and everything in between" by Col. Luis Arce Gomez, the Bolivian Interior Minister.

Miss Spooner, a U.S. citizen, was arrested on August 8 at her hotel in La Paz in a crackdown on the foreign Press by the Bolivian junta, which seized power in a coup on July 17.

Her release was negotiated by Mr. J. D. F. Jones, managing editor of the Financial Times, and Mr. Robert Harvey of The Economist.

Miss Spooner said two men from the Interior Ministry took her to the ministry building, where she was submitted to intensive interrogation in an attempt to find the sources of her reports to the Economist, which linked the Bolivian junta with the country's cocaine

dealers. She had been accused by the junta of "defaming the country's leaders."

She was first questioned by a man she identified as the Chief of Special Operations.

"He delivered a very bitter diatribe about everything the United States had ever done in Bolivia," she said.

She said he made "a lot of threats. You know, all the usual threats... he rifled through my things, pulled out an article I'd written and he screamed and yelled."

Miss Spooner said she was taken to another room to make a statement and was warned by a lesser official that she should

be careful because "as a woman there are certain things that can happen to you."

"I got called upstairs to the Interior Minister himself," she said. "He screamed and yelled. There were several officials and more threats. This went on for a few hours."

Asked what kind of threats were made, she replied: "Death and, you know, everything in between." Asked if the death threat came from the Minister himself, she responded: "Yes."

Miss Spooner said the Ministry officials tried to get her to disclose her sources. After she returned to the room where the man was taking her statement,

the Chief of Special Operations, who she did not identify by name, came in and threatened her with a gun.

She said about 4 am they allowed her to sleep on a mat on the floor surrounded by chairs. She was given blankets.

"I went to sleep and the next day they put me in a closet for six days, a fourfoot by fourfoot closet," she said.

Miss Spooner said they let her out of the closet only to eat and to go to the bathroom. The closet had four panels of glass, which were painted over, but a little sun came in through some cracks.

Editorial comment, Page 12

## Brazil and Argentina to strengthen nuclear accord

BY DIANA SMITH IN BRASILIA

BRAZIL and Argentina are to supplement their basic agreement on co-operation in the development and application of peaceful uses of nuclear technology originally signed in May this year.

Supplementary documents will be presented for signature during the state visit to Brazil from August 19 to 22 by President Jorge Rafael Videla of Argentina.

It is understood that the documents may cover the supply of 240 tonnes of raw uranium by Argentina to Brazil, for use in Brazil's first nuclear reactor in Angra Dos Reis. This is due to start up in 1981, and has been equipped by

Westinghouse of the U.S. The Nuclear co-operation agreement signed in May is comprehensive, covering joint research, development and technology for nuclear power plant.

It also covers co-operation in the nuclear fuel cycle, including prospecting and mining of nuclear minerals and the manufacture of fuel elements.

## ENERGY REVIEW: INDIA

BY PEARL MARSHALL

## Prospects for the major oil companies

INDIA'S CALL for help from Western firms last week in its urgent search for more oil both onshore and offshore, has generated a good deal of interest among the international majors, with both Occidental Petroleum and Amoco representatives flying into New Delhi this week for talks.

At least seven British, French, Mexican and American oil companies have been informally examining the possibilities of concessions with India during the past six months while Government officials tried to make up their minds about Western involvement. The companies include Phillips Petroleum, British Petroleum, CIE, Francaise des Petroles (CFP), Shell, and Construcciones Protegas de Mexico.

Occidental Petroleum is described by Indian Petroleum Ministry sources as having only an "indirect interest" in the prospects.

The Norwegians have also talked about oil development. "They have offered all sorts of assistance and co-operation, although they have not shown an interest in taking a block," Mr. Weerendra Patil, the Petroleum Minister, told the Financial Times.

The biggest question mark at the moment is just how insistent India will be about buying back at prevailing international prices the entire quantity of any oil found until the country reaches self-sufficiency. At least two companies have made it plain that they would like to take a share of oil out of the country for use in their own refineries. "We are looking to build up long-term sources of oil," says one.

It is also a moot point whether India will actually achieve self-sufficiency in oil. Imports of 16.22m metric tons of crude and 4.49m metric tons of refined products accounted for more than two-thirds of the country's total petroleum requirements of 30m metric tons last year.

By 1984, the country's crude oil requirements could be as high as 43m metric tons with requirements for 6.8m metric tons of refined products. But production from indigenous sources at current rates of growth will only reach 23m metric tons, the gap of 21m metric tons having to be met through imports.



MR. WEERENDRA PATIL, India's Petroleum Minister

shortest possible time on a priority basis with the assistance of foreign collaboration."

The staggering increase in India's oil import bill has alarmed Government officials. It is this more than anything else that has forced them to give the green light to the idea of Western tie-ups. This year's crude oil bill is expected to exceed \$7bn, \$2.3bn more than last year, and equal to more than 80 per cent of India's anticipated export earnings.

Yet the country has many other products it desperately needs to import including massive amounts of fertilisers as well as steel, coking coal, aluminium and edible oils.

To those who view the decision of foreign tie-ups as a major policy change from the strict Indian doctrine of doing everything it can do itself, the government sources argue that, as a matter of fact, current policy on foreign collaboration is particularly permissive when it comes to technically sophisticated areas.

Certainly it is nothing new in oil exploration. Foreign collaboration has been there for a long time in onshore drilling. Earlier this year India signed a protocol agreement with the Soviet Union for drilling two wells in the North-eastern state of Tripura. Drilling was to start in October, but work may be delayed because of political unrest in the region. The Soviets have also agreed to carry out survey work in

West Bengal. "In fact we have had protocols with the Russians for a large number of years," says Mr. Patil. "They started advising and helping us from the very inception of the Oil and Natural Gas Commission (ONGC) India's government-run exploration and development agency."

It was a Soviet survey vessel that first identified the anomaly which subsequently led to India's biggest oil find—Bombay High, 160 km offshore from Bombay, in 1974. Last year Bombay High produced 4.32m metric tons of crude. Steps are now under way to increase Bombay High's production from the current rate of around 100,000 b/d to 140,000 b/d by the end of November, 180,000 b/d in 1981-82 and 240,000 b/d by mid 1982-83.

Western companies have also tried their hand in Indian oil exploration in the past, but met with little success.

Two American consortia—the Natamats-Carlisle group and Reading and Bates—and the Asamera group of Canada are now under way to increase Bombay High's production from the current rate of around 100,000 b/d to 140,000 b/d by the end of November, 180,000 b/d in 1981-82 and 240,000 b/d by mid 1982-83.

Natamats drilled two wells in a 28,280 sq kms concession in the Bay of Bengal and the other two groups drilled one

each—Reading and Bates in 1975 in the Kutch Basin in the Arabian Sea and Asamera in the Cauvery Basin. Then the groups pulled out.

"ONGC was reasonably happy with Natamats but disappointed with the other groups because it thought this was not an adequate enough effort to prove the presence or non-presence of oil," says a Western oil expert.

They hoped the companies would stay to spend more. I guess the shareholders decided it wasn't worth sticking around. They could not afford to risk the capital."

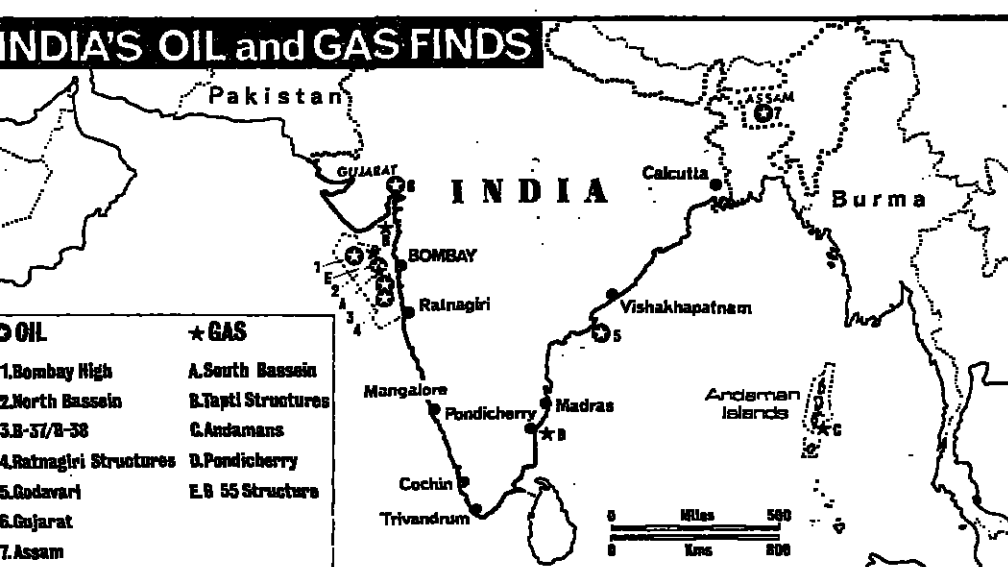
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"The Commission felt justified in its views earlier this year when it discovered gas in the



Cauvery Basin, where Asamera had worked. The gas is at the Porto Novo offshore site near Pondicherry, Tamil Nadu. Preliminary tests of the oil-bearing strata have yielded a daily gas flow rate of 68,000 cubic metres.

This initial experience with foreign groups will certainly influence India's choice of companies as it invites Westerners back in. "They are going to look for majors with plenty of resources and technical expertise to carry out an acceptable work programme," says New Delhi sources. ONGC is expected to spell out the work programme in definite terms, possibly a programme that requires at least three wells to be drilled over a two-year period.

But the actual programme and its time frame, the size of the concession areas and conditions for production sharing arrangements are still to be formed up by a newly formed committee under the chairmanship of Mr. B. B. Vohra, the Petroleum Ministry secretary. The committee held its first two meetings this month.

"It's going to take several more weeks to hammer out its policies, so it would be a little premature for companies to come here now," says one informant.

The committee has asked companies to declare their interest by September 15. It will then study their technical and financial capabilities, prepare a shortlist and request bids.

CFP is said already to have its foot in the door because of its long-time involvement in

India's oil industry, and normally reliable industrial sources say the company has been offered a concession.

CFP has been helping to optimise development of Bombay High under a four-year \$17.4m consultancy contract signed in April, 1977. Another French firm, CPEM, is building a cantilever type drilling rig for ONGC which is due around March, 1981.

Foreign companies will also be seeing increased opportunities for carrying out drilling work on a contract basis. Oil India, for example, India's other and smaller oil exploration and development company which is jointly owned by the Government of India and the Burmah Oil Company, has been allowed to expand its programme. It had originally been confined to a small area in the north-east.

This year it has spudded two wells in its first offshore concession, the Mahanadi Basin, an area of about 12,000 sq km off the east coast. It has also been granted an adjoining onshore area.

But Oil India is a small company with stretched resources, so it is currently seeking to contract for seismic work in this onshore concession to be followed by a six-well exploration programme entailing 21,000 metres of drilling by 1983-84. It has also recently been granted another concession in Western Rajasthan.

So far ONGC's exploratory work has established oil reserves in five areas along the western and eastern coasts of India and these areas are therefore not expected to be open to foreign participation. They are:

1. Bombay High. 2. North Bassein. 3. B-38 and B-37, south-east of Bombay High. 4. the three Ratnagiri structures R-12, R-8 and R-7. 5. Godavari.

Of these, R-12 is expected to be in production by 1983 using a single buoy mooring system. Its capacity is reported to be about 20,000 b/d, but the potential could be higher.

The Godavari find this year—the first discovery of commercial importance in the Bay of Bengal—is described as "possibly another Bombay High" by Mr. Patil, although he underlines the fact that additional assessment wells will be necessary to evaluate its true commercial importance.

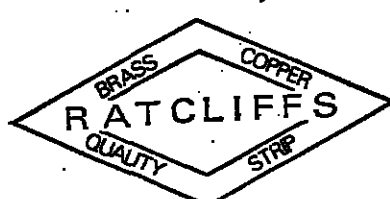
Gas reserves have been established at South Bassein, B-55 (north of South Bassein), Tapti in the Gulf of Cambay, the Andaman Islands, and offshore Pondicherry.

On oil production, India produced 11.8m metric tons crude last year, roughly one-third from Bombay High and the rest from oil fields in Assam and Gujarat, where some of the original exploratory work was carried out with British and Soviet assistance respectively.

Total oil production currently is running at the rate of around 10m metric tons a year because of the continuing disturbances in Assam. Total crude loss from the Assam oil fields for the first six months of this year was close to 2m tons.

ONGC has outlined a \$3.75bn exploratory and development programme for itself for 1980-1985. This calls for 95 exploratory wells and 200 development wells offshore and 250 exploratory wells and 300 development wells onshore.

## RATCLIFFS (GREAT BRIDGE) LIMITED



## Interim Report to Shareholders 1980

The unaudited group earnings for the six months to 30th June were as follows—

	Half year to 30.6.80	Half year to 30.6.79	Full year 1979
Group Sales	23,175,900	22,361,000	44,438,600
Earnings (loss) gross			
Parent company	(120,660)	539,500	639,500
Subsidiary	186,000	296,500	514,300
Estimated Taxation			
	45,400	836,000	1,252,800
	70,700	416,900	546,200
	(5,300)	419,100	807,600

Parent Company  
The following exceptional items have been excluded from the above figures—  
1. Exceptional metal loss £124,650 to be dealt with by transfer from metal price contingency reserve.  
2. Redundancy and termination payments £36,600.

Chairman's Comments  
Sales  
Figures distorted by the runaway copper prices of February and March.

Earnings have been pulled down by U.S. recession conditions. With the improved tone now evident in North American economy, prospects for the second-half are much more encouraging.

Great Bridge  
As forecast in the 1979 Accounts, earnings have been temporarily eliminated. Reduced output and short-time working as a result of auto recession, high-interest rates and the collapse of export markets due to the strength of sterling have all taken their toll. Earnings are unlikely to improve until the rationalisation programme at present being undertaken has been completed.

Dividends  
The Board is declaring an interim dividend of 0.75p (1.00p) per Ordinary share payable on 1st November to shareholders on the register at 12th September, 1980. The final dividend will be dependent on the year's results and prospects for 1981.

14th August, 1980.  
F. R. Ratcliff,  
Chairman.

## A FINANCIAL TIMES SURVEY INTERNATIONAL CONFERENCE CENTRES

The Financial Times proposes to publish a Survey on Conference Centres in its edition of December 18, 1980.

For further information please contact:

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## FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

The contents, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.



# Saudi Arabia infuriated by Israel's Jerusalem stand

BY JAMES BUCHAN

SAUDI ARABIA'S statement that the latest Israeli declaration of the unity of Jerusalem has made moderate Arab policies futile, is the clearest yet of the Kingdom's mounting frustration with the Camp David framework for a Middle East settlement.

It is clear that Crown Prince Fahd now believes that what little chance the U.S. and Egypt had of progress has quite evaporated in the face of Israel's insistence that it will not negotiate over Jerusalem.

"What use has moderation been?" Prince Fahd told the Saudi Press Agency. "Is this the West's concept of a just peace? Where is the framework for a comprehensive peace?"

At the same time, Prince Fahd held out the most explicit and gracious offer yet for President Sadat to return to the Arab mainstream. "Those still betting on Palestine autonomy," he said, "must take a dignified stand, admit failure and courageously retreat from whatever has happened."

But Mr. Fuad Mohieddin, the senior Egyptian deputy premier, said yesterday that Egypt has "its own true Arab line which has been following since 1973."

Prince Fahd's statement of frustration, which is particularly directed at the U.S., is of greater significance than his call for Jihad against Israel in pursuit of an independent



Crown Prince Fahd "What use has moderation been?"

Palestine state with Jerusalem as its capital.

The call for Jihad is part of the Kingdom's rhetorical stock-in-trade and the Israeli Foreign Ministry treated it as such.

The return of the shrines of East Jerusalem to Moslem hands has been the focus of Saudi policy since their occupation by Israel in 1967. As custodian of the two holiest Moslem places of worship — Mecca and Medina — Saudi Arabia has long considered

itself responsible to the Moslem world for Jerusalem.

Fahd's statement is a bold bid to regain moral authority that has been undermined both by the internal disorder in the Kingdom last winter and the lack of progress over a settlement.

Iraq and the Kingdom last week issued a joint statement that they would cut "diplomatic and economic relations" with any country recognising Jerusalem as the Israeli capital and 11 other Arab countries have since joined them. The Arab states intend to table a resolution at the United Nations later this week to condemn the Israeli action.

At the very least, Prince Fahd's statement is a clear indication to the U.S. of the effect a veto might produce. For the immediate future, Saudi Arabia will be obliged to distance itself from the U.S. and the West.

The U.S. is now likely to find the Kingdom considerably less accommodating over such issues as maintaining high oil production, and moderating the mainstream Arab response to the peace talks.

Charles Batchelor reports from Amsterdam: The Dutch Government has delayed sending a new Ambassador to Israel because of growing resistance from Arab countries to the presence of the Dutch Embassy in Jerusalem.

## Iran keeps Kremlin at arm's length

By Patrick Cockburn in Tehran

SINCE the fall of the Shah, Western Governments have waited with trepidation for signs of a closer accord between Moscow and Tehran. In simplistic nightmares, and with the use of a full-scale map, some could dimly perceive a future in which Russian tanks advancing to the Iranian oilfields would dominate the waters of the Gulf.

So far there is little sign of it. The foreign policy of the Islamic Republic, in so far as it exists, is summed up by the slogan "Neither East, nor West."

Hostility towards the U.S. even after the diplomats were taken hostage last November has not been balanced by any increased friendliness towards Moscow.

To oppose the might of the superpowers, and the Governments of neighbouring states, Ayatollah Khomeini has emphasised over the past few weeks that the sort of Islamic populism which overthrew the Shah is a more potent weapon than diplomatic alliances. Headlines suggesting that relations between Iran and the Soviet Union are getting cooler tend to mislead, since at the best of times they were always frosty.

With typical bravado Mr. Sadeq Othman, this week enlivened what are probably his last days as Foreign Minister by making a vitriolic attack on the Soviet Union.

Responding to a private memorandum from Mr. Andrei Gromyko, Soviet Foreign Minister, he detailed a litany of Soviet "sins" and demanded everything from a Russian withdrawal from Afghanistan to an end to its support for the Iranian Communist Party.

To this the Soviets are likely to respond with half-suppressed irritation. So far they have given little in the way of diplomatic or economic assistance. Ayatollah Khomeini's appeal for an end to supplies of Soviet military equipment to Iraq have met with no response.

## Genuine anger

Moscow has not concealed its anger at the cut-off of Iranian gas supplies which were to be used to pay for Russian industrial projects such as the Isfahan steel mill expansion.

The invasion of Afghanistan has produced a curious mixture of feelings in Tehran.

On the one hand there is the genuine and universal anger at the overrunning of a Moslem country by a great power; on the other, Iran has been circumspect in its offers of assistance to the Afghan rebels.

Practical experience of the rebels has not proved happy. In the past Iranians have tended to regard Afghans as something of a lesser breed.

There is also some hesitation in Tehran about taking too seriously the possibility of the Iranian revolution having a very significant impact among the Moslem population of the Soviet Republic adjacent to the border with Iran.

Mr. Othman's demand that Iran be allowed to open a consulate in Dushanbe in Tajikistan to replace the one in Leningrad is perhaps partly made in the knowledge it will irritate Moscow. There has never been much evidence that the Islamic revolution has unsettled Soviet Moslems. Indeed where ethnic groups such as the Azerbaijanis and Turkomen straddle the border, the influence tends to be the other way.

The dominance of the clergy has assumed in the Persian heartland around Tehran and to the south has been particularly ill-received among the northern minority and the Caspian coast provinces. The inhabitants are unlikely to prove enthusiastic proponents for the Islamic Republic amongst the Soviet Azerbaijanis and Turkomen.

# Iran moves to strengthen industrial ties with India

BY K. K. SHARMA IN NEW DELHI

THE POSSIBILITY of industrial collaboration between Iran and India is emerging as a result of recent bilateral talks in New Delhi in which Iranian officials submitted a long list of projects requiring development.

At the top of the list is a 60,000 tonne alloy steel plant which originally was to have been built by a French company, the contract for which Iran has now scrapped. The plant has now been offered to India on the basis of Indian technology.

Also envisaged is Indian help for setting up a number of industrial estates in Iran for the manufacture of a wide range of goods by small production units. If deals are concluded satisfactorily, India will be helping Iran to make machine tools, diesel generating sets, water heaters, injection

machines, foundries, bicycles, high voltage transformers, electronic items, cables and wires, electric lamps and other industrial products.

The most recent round of talks on Indian investment in Iran took place last week between Mr. Syad Ali Sadari, the Deputy Minister of Social Affairs, and India's Ministers of Heavy Industry, and of Commerce, and the Association of Indian Engineering Industry.

An Engineering mission is to leave for Tehran next week for further talks on industrial collaboration. A trade mission has just returned from Iran after concluding deals worth approximately Rs260m (£14.2m) and initiating talks on more. Indian officials say these could lead to contracts for several hundred million pounds.

Iran has said it wants Indian companies to take up many of the projects abandoned by the West and that it wants Indo-Iranian economic relations to be established on a permanent basis. An Indian bank is being used for payments due to Iran as part of Tehran's strategy to prevent funds being blocked in the West.

One major Indo-Iranian problem to be settled is the Kudemukh iron ore project in the southern state of Karnataka. This was initiated by the late Shah who promised a credit of \$630m for the project in return for assured supplies of iron ore concentrates.

Iran has failed to pay about \$450m owed to India in the past year. It has also said that it cannot accept the iron ore concentrates because the steel plants that they were meant for are not ready.

## Call for more Third World help

BY ROGER BOYES IN BONN

HERR WALTER SCHEEL, former President of West Germany, yesterday strongly urged West German concerns to co-operate with oil-producing countries in stepping up private investment in the Third World.

The call exposes a particularly vulnerable point in Germany's aid efforts, coming as it does only 11 days before the United Nations holds a special assembly to discuss north-south affairs and international aid strategies.

Although in absolute terms, West Germany is the third most generous official aid contributor among the Western industrialised countries (after the U.S. and France), aid comprises

only 0.44 per cent of its gross national product. This is considerably less than Denmark, Norway, Britain, France and several other states.

Bonn, however, has consistently argued that German private capital flows to the Third World more than made up for this, pushing German financial involvement in the Third World to well over 1 per cent of GNP. Speeches by Herr Scheel, who has taken over as chairman of the Deutsche Entwicklungsgesellschaft (a state-owned body which seeks to foster private investment in the Third World), and other senior executives made clear that German private investment

was seriously stagnating. Only 14 per cent of all German direct investment went to developing countries in 1978 compared to 36 per cent in 1976. And this came at a time when overall direct investment abroad reached the record level of DM 7.8bn.

The main problems, it seems, are lack of confidence, the heightened political Third World involvement and simple lack of capital. Herr Scheel thus argued that German concerns — through the medium of DEG — should offer their experience to OPEC countries and make use of its surplus oil funds to invest directly in Third World projects.

## UK tightens clothing scrutiny

BY JAMES McDONALD

CLOTHING manufacturers in Britain and in other EEC countries are becoming increasingly concerned over the way in which imported goods are evading in growing volume import quotas under the Multi-Fibre Arrangement (MFA).

Although hard evidence is difficult to obtain in many cases, the EEC Commission has been sufficiently concerned that it has issued a wide range of scale to have issued a draft regulation on the subject. In Britain, while other Departments are cutting back on staffs as part of the Government's blanket economy measures, HM Customs has expanded its admittedly under-staffed investigation team to deal with this

problem. One scheme which has come to light is the import into this country of jeans, masquerading as "boler suits" and, therefore, admitted here under another clothing category after the jeans quota has been filled.

The bolero jacket is a really unfinished cloth and is really a throw-away item with little more value than the cloth involved, but a Manchester retailer who bought the suit said that the jeans trousers were "very good value."

The National Union of Tailors and Garment Workers has asked Mr. John Nott, the Trade Secretary, to investigate not only this particular case but "growing evidence of fraud and misrepresentation in trade in clothing."

Mr. Alec Smith, the union's general secretary, points out that over 20,000 jobs have been lost in the UK clothing industry since last September and that the increasing growth of low-cost imports is capable of long-term damage to the industry.

Imported jeans account for about 70 per cent of the 40m pairs sold each year in this country, and a union official pointed out yesterday that two jeans factories in Scotland had had to close down recently.

A Clothing Manufacturers' Federation said that jeans import quotas were always heavily under pressure and that "every trick in the book" was used to avoid quotas.

## Volvo in £5.5m Jakarta bus deal

VOLVO TRUCKS (GB) yesterday announced its largest ever bus export order — a £5.5m contract for 100 double-decker buses for Indonesia. While the order will help safeguard the 420 jobs at the Irvine, Ayrshire, Volvo plant, the company said yesterday that "unless the market situation changes, we will be forced to go on a three-day week after the September holiday."

It expects to return to a full week early next year when production starts on the order for the Jakarta Public Transport Authority. The company hopes that, with the help of Government compensation, workers would lose only between £1 and £3 a week on their basic wage.

The Volvo A156 was designed in Scotland and 95 per cent of its components are produced in

the UK. A Scottish company, Walter Alexander Falkirk, will supply the body work.

Volvo also announced yesterday its intention to purchase for £125m components from about 300 British companies this year for all of their UK

operations. Volvo Trucks (GB) expects to produce 1,400 trucks and buses in Britain this year. The Irvine plant is working on a major order for about 200 specially designed F12 trucks for use on Switzerland's narrow, mountainous roads.

## Scottish mission to U.S.

BY RAY PERMAN, SCOTTISH CORRESPONDENT

A "SELL SCOTLAND" mission to promote tourism and exports, and to look for sources of industrial investment, is being planned for the southern states of America in October.

The venture, jointly organised by the Scottish Development Agency, the Scottish Council for Development and Industry, and

the Scottish Tourist Board, is the first attempt to combine different types of overseas promotion in a single trip.

The party of over 120 people, including representatives from local authorities, 30 manufacturing and service companies, hotel and tour operators, will visit Houston, Atlanta, and St. Louis.

## BUSINESS GIVES LOW PRIORITY TO GRIEVANCES

### Violence grips South Africa

BY BERNARD SIMON IN JOHANNESBURG

RACIAL VIOLENCE has become almost commonplace in South Africa. Three motorists were killed last week when their vehicles were burnt by Cape Town mobs. Police killed a suspected arsonist. Schools were burnt down in Somerset East, a few hundred miles north of Port Elizabeth, and police used dogs and canes against hundreds of black schoolchildren boycotting classes in the Northern Cape city of Kimberley.

Hardly a day has gone by in the past three months without acts of violence like these. In addition, white-owned businesses have been hit by the most serious strikes in recent history.

However, for the average white businessman not directly affected by industrial action, the unrest has been overshadowed by the problems of long delivery delays, shortages of skilled labour and rising costs.

With the South African economy likely to grow by around 6 per cent in real terms this year, black political grievances have a low priority for most businessmen. Mr. Tony Heard, editor of the Cape Times, said: "People haven't cottoned on to the significance of the unrest."

One reason is that, in purely physical terms, most whites have little idea of what is happening in the black townships.

The one exception is Cape Town, which has borne the brunt of this year's violence. Several recent incidents have taken place on the airport highway which cuts through coloured housing estates. The crossroads squatter camp, scene of this week's killings, adjoins the airport.

Since Mr. P. W. Botha, the Prime Minister, instructed the state-controlled radio and television service earlier this year not to give prominence to the views and actions of "subversive" elements, radio and television coverage of the unrest has been minimal, usually consisting of little more than reassuring statements by police officers and Cabinet Ministers.

There is no doubt that since



The recent strike by black municipal workers — just one fact of South Africa's racial confrontation. Yesterday, Mr. Joseph Mavi, the detained strike leader, was charged with sabotage.

the widespread unrest in Soweto and other black urban areas in 1976-77, businessmen in South Africa have come to expect a certain level of violence.

Mr. Merton Dagut, chief economist of Nedbank, noted: "There is a level of physical violence to which a system becomes accustomed. Attacks on police stations and urban and rural unrest are all part of the picture now. One would need more than that to shake businessmen's confidence."

White South Africans, like their counterparts in Rhodesia during the bush war, firmly believe the situation here is no worse than in many other parts of the world, and that newspaper reports of the violence are exaggerated.

Several leading businessmen have warned recently that a slowing of the political momentum generated last year could have serious consequences. Cape Town industrialists, in particular, have questioned the wisdom of the present police crackdown on "private" taxis which are helping local black commuters to maintain a ten-week boycott of local bus services. They concede that the police action is contributing to the rapid politicisation of the

local black and coloured community.

More serious is the comment by a Western diplomat that several companies have experienced an increasing number of inexplicable plant and machinery breakdowns. There are signs, particularly in the Western Cape, that recent tension has adversely affected workers' productivity and reliability.

Despite the high growth rate and the lack of spare capacity in many industries, foreign investment appears to be slowing down. According to bankers, applications for financial aid through which funds for new capital projects are channelled, have dropped to a trickle, despite the current discount of 38 per cent to the commercial exchange rate, the highest in 18 months. "I find it puzzling that there has not been more investment from abroad," one foreign exchange expert said.

The current violence is unlikely to have a significant effect on the overall economic outlook. The danger is that, amid signs that Mr. Botha's resolve to accelerate the pace of change has weakened, more disruptive disturbances may lie ahead.

David Dodwell reports on the need for Britain and China to reach agreement on the future of the New Territories

## Hong Kong fears for the day the lease runs out

HONG KONG'S business and political leaders are moving towards a consensus that their future must be resolved within the next three years. The greater part of the colony, 90 per cent of its 400 square miles, is due to revert to Chinese rule on July 1, 1997, under a treaty which the Communist Government in Peking has never recognised.

The loss of the New Territories, ceded to Britain on a 99-year lease at the Convention of Peking in 1898, would create formidable problems. Much of the rapid industrial expansion has taken place there, and new towns in the New Territories, like Tsuen Wan, Tuen Mun and Sha Tin, will soon be housing 2.5m people.

Apart from worries over what will happen if capitalist Hong Kong is made subject to Communist Peking, practical and legal problems are bearing down on the colony.

Major investments — like plans for a new airport — will soon be impossible, as the Hong Kong authorities will be unable to finance them over such a short repayment period. Investment in manufacturing industry, both from abroad and locally, will dry up as investors

calculate they will not be able to recoup profits without guarantees that the status quo will be maintained into the 21st century.

Still more important — and this is what makes 1982 so significant a deadline — banks and the housing authorities will no longer be able to offer borrowers the usual 15-year repayment terms on loans and mortgages after June 30, 1982.

The people of Hong Kong seem to be alone in wanting their future resolved as soon as possible. They know the colony's phenomenal economic growth over the past two decades is the direct result of international confidence, that once its free-wheeling capitalist style was jeopardised, the bubble would burst.

Whitehall insists that any long-term initiative has to come from Peking — Britain no longer has either the power or the inclination to impose its will.

At the same time, it has become clear that Peking sees the legal dilemma which crystallises in 1982 as a purely British problem. Whitehall thus finds itself expected to resolve the legal conundrum, while knowing full well that the needed changes in Hong Kong's status

can be tackled only by Peking. Peking, the British Government seems prepared to play down the issue, but by this time next year the anxiety will be manifest unless some progress is made. For this reason, regular high-level diplomatic and official contacts can be expected in the year ahead — and initiatives can be expected very soon.

China, for its part, has no intention of agreeing to renew a lease it finds ideologically repugnant. Peking, with 1bn people already under its care, and momentous reunification problems, seems unwilling to be distracted by the status of 5.5m people living on borrowed land.

In essence, the problem is purely legal: the threat of a Communist take-over in Hong Kong is more distant now than at practically any other time since 1949. Hong Kong may still be an affront to Chinese prestige, a blot on the Communist Government's ideological purity and a security threat, but for numerous — sometimes quirky — reasons of its own, Peking is keener now than it has ever been to see capitalist Hong Kong prosper.

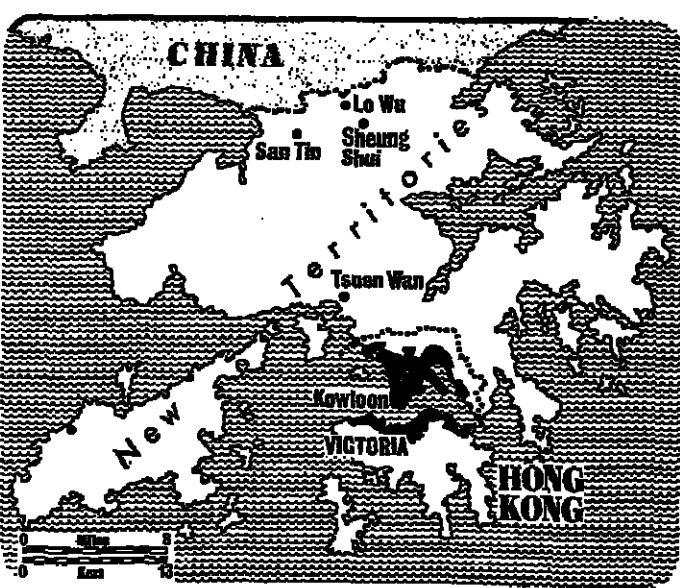
Economic interdependence is crucial. China's foreign

exchange earnings from Hong Kong are \$400m a year, and rising. Hong Kong can be a catalyst for development of the neighbouring provinces of Guangdong and Fujian. It provides expertise for China's modernisation plans, and offers a shop window for a whole range of Western technology.

Hong Kong relies on China for almost all its food, and in future will rely increasingly heavily on cheap Chinese labour as businessmen strive to maintain price-competitiveness for their export products.

Since a visit to Peking by Sir Murray MacLehose, Hong Kong's Governor, in May last year, officials and businessmen have streamed to and fro. Chinese investment in the colony has flourished, ranging from major ventures like the multi-billion dollar China Light and Power thermal power station down to property purchases.

This in part explains why China has never bothered to over-run Hong Kong. It could have done so at will at any time during the past 30 years. In other circumstances it has not been slow in using military force — witness Korea in 1950,



India in 1962 and Vietnam in 1979. But it has chosen to leave this tiny British colony alone, and there is no sign that its leaders are inclined to do otherwise into the future. Senior Chinese Vice-Premier Mr. Deng Xiaoping, China's senior Vice-Premier, has repeatedly told Hong Kong businessmen: "Let your hearts rest at ease." And until now

this has provided assurance enough.

But by 1982, comforting words will no longer be enough. Businessmen seem set on winning firmer, legally binding, guarantees. Neither China nor Britain seems geared for such prompt action (both insist there are no discussions in progress). And Mr. James Callaghan, former British Prime Minister, re-

vealed in May after talks in Peking that the Chinese Government had the matter "on the back burner" and advised the Hong Kong authorities to do likewise.

Nevertheless, a path seems to be emerging through the maze of legal niceties. The idea has been put most succinctly by Mr. Jimmy McGregor, director of the Hong Kong Chamber of Commerce. "If Britain repudiated the leases, as illegal and improper, and as a quid pro quo the Chinese recognised Britain's magnanimity and friendliness, simultaneously agreeing that Britain should be allowed to administer Hong Kong until the matter could be permanently resolved, say in 2020, then we would have no reason to worry."

This is tightrope diplomacy, fraught with danger, but it offers perhaps the only formula acceptable to all parties.

Britain would have washed its hands of a colonial anomaly, over sovereignty would have been mollified, and the confidence necessary to make sure Hong Kong keeps on laying its golden eggs will have been guaranteed into the 21st century.

## Testing Egypt's open door policy

By Alan Mackie in Cairo

AFTER six years, President Sadat's open door economic policy is poised between success in luring in such big names as Michelin, Volkswagen, General Motors and Klockner Humboldt Deutz in the automotive industry alone, and between general reluctance by foreign and local investors to take up the special tax holidays and other incentives on offer.

Balanced against the terms which have brought Michelin, considered to be one of the most astute private enterprises in the world, to acquire a plant site, must be the familiar difficulties of doing business in Egypt.

Other household names seriously interested in setting up in Egypt are Rente Vickers, International Pains, Hoover and Rothmans.

But there are several general reasons for the hesitancy. Protracted negotiating schedules make it easier for things to go wrong, and for all sides to have second thoughts. Iran has damaged long-term confidence in the region among those companies that require a base in the region from which to conduct their business. Last year's Arab boycott following the signing of the peace treaty gave the waverers another excuse to hold back even though the boycott has had little overall impact.

Then the status of last May's Government changes and the economic package, especially the increased tariffs on raw materials and the deposit requirements to open letters of credit, has given the waverers pause to think again.

But the main reason for foreign hesitancy, however, is that the conduct of business in Egypt has not become easier.

For instance, one promoter, having set up a deal to build an hotel club, found at the last minute that he had to have the project approved by the Ministry of Youth and Sports. A whole financial package had to be reworked.

Those negotiating with the public sector are particularly vulnerable. Thomson Brandt recently called off a washing machine and refrigerator manufacturing project almost at the starting point after the People's Assembly objected to the book evaluations of plant and land.

But if the problems of negotiating are nerve-racking they are nothing compared with the problems of operating a plant.

Concessions, like access to parallel market funds, duty exemptions on plant or market protection during the startup period (which the authorities freely gave to the Pioneer Investors) count for little and have to be renegotiated when the plant starts operating. Wilkinson, the first industrial joint venture with a public sector company, has been dealt a body blow by a razor blade smuggling. The company was hoping this year, its second full year of operation, to make a small profit, but is riding a £550,000 (£502,000) loss.

But there have been some honourable exceptions. Tams and Socea, an affiliate of Fiat, a Mousson, has established a prestressed concrete pipe joint venture in the new city of Tenth of Ramadan. Wilkinson, Union Carbide and Celgate Palmolive have all set up plants in Alexandria while Squibb has a plant operating near Cairo and British Chloride is in the process of building a plant.

At long last also a few land reclamation and agro-industrial projects are slowly materialising. Crenot Loire is setting up a canning factory in the Delta. Fives Gail Babcock is developing a sugar beet project also in the Delta, while a British consortium headed by Guinness Peat and Morgan Grenfell is putting together a similar project in Tahrir Province on reclaimed land to the west of the Delta.

Yet foreign capital has not provided the impetus to industrial development that could have been reasonably expected of it by now. For it has tended to look for pay-back over a two to three-year period rather than see itself invested in the sort of project which would be of more permanent benefit to Egypt's economy but which would produce returns over seven or eight years.

In the end there are doubts whether President Sadat will stick with the "open door" policy when the going gets rough. The customs tariffs cuts on finished goods and other measures announced in May have scared and depressed many. There are still too many untested areas of Egyptian law for the potential investor not to feel that he will be locked into a situation where he will be the fall guy if things go wrong.



# Hambros studies Cadbury vote

By ARTHUR SANDLES

HAMBROS BANK is exploring ways of disposing of Mr. Peter Cadbury's voting shareholding in Westward Television.

Mr. Cadbury, sacked as chairman by the Westward Board, has until early next week to respond to demands for assurances over the use of his votes—without these promises the company will take the shares from him.

Hambros has been called in by Westward as financial advisers. Any share deal would have to be approved by the Independent Broadcasting Authority.

So unusual is the clause in Westward's articles of association, which allows the board to "transfer" the shares of any shareholder if—in the view of the board—that shareholder is endangering the company's ITV franchise by his activities, that the form the transfer will take is a matter for considerable discussion.

The board has asked that Mr. Cadbury, his wife, his son-in-law and Lord Lisborne, his life-long friend and former vice-chairman, refrain from using their votes in order for Mr. Cadbury to regain the Westward chair.

These votes are important to

the Cadbury camp at the extraordinary shareholders meeting set for October 17 and called by Mr. Cadbury to oust a board which is divided 11 to 3 against him.

There is increasing confidence in the Westward Board, now chaired by Lord Harris of Greenwich, a former Labour Minister.

The Cadbury side's silence is seen by the present directors as a growing realisation that the trump cards are held by Lord Harris.

That is certainly not the view at the Cadbury battle headquarters. Said an aide: "Mr. Cadbury's view remains unchanged. We will reply to the board's request within a few days."

"The board chose to throw a new ball at us (the demand for undertakings about voting) and Mr. Cadbury has to decide which way to play it."

Some Westward Board members think Mr. Cadbury will indeed agree to the board's demands about voting—he controls around 25 per cent of the voting stock—rather than risk being dispossessed, but that he would still hope to win at the extraordinary meeting.

## ITV losing ground in latest ratings figures

FINANCIAL TIMES REPORTER

ITV's dismal performance in the ratings war with the BBC this year worsened in July. Figures from both suggest that commercial television ratings last month were the worst on record.

The Joint Industry Committee for Television Advertising Research says the July viewing share was 44 per cent to ITV, 41 per cent to BBC1 and 15 per cent to BBC2.

Regional variations illustrate ITV's problems even more vividly. In Southern Television's area the share was 36 per cent

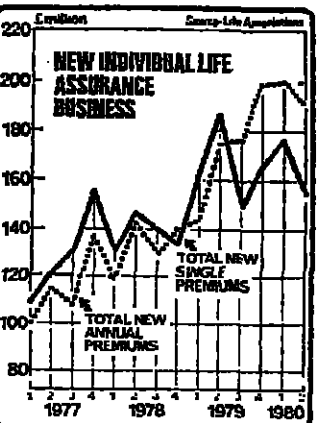
Thus, nearly two thirds of south coast viewers preferred to watch BBC programmes. In London 40 per cent watched ITV.

The commercial channel fared best in Ulster (46 per cent), the Midlands (ATV) (44 per cent), Yorkshire (44 per cent) and the North East (Tyne Tees) (44 per cent).

The figures are bound to add fuel to increasing criticism from the advertising industry that ITV is not producing the mass audiences expected.

## Tax changes' impact on life business

By Eric Short



TWO MAJOR tax changes in this year's Budget had an immediate impact on life assurance company business in the second quarter, according to figures issued yesterday by the three life associations.

The ending of tax relief on short-term income bonds reduced annual and single premium ordinary life business. Improvements in tax concessions given to the self-employed for pension arrangements boosted the sales of personal pensions in all sectors.

New annual premiums on ordinary life business in the second quarter declined 14 per cent from £59.6m to £57.7m following the Budget changes. Single premiums dropped 35 per cent from £88.5m to £57.7m.

However, the record first quarter results were influenced by heavy income bond sales ahead of the Budget at the end of March.

The ordinary annual premium sales were 3.5 per cent lower than in the second quarter of last year, reflecting lower sales of contracts used to repay house mortgages because of the dull housing market.

Nevertheless, the underlying trend in ordinary life business remains strong and, as yet, not affected by the economic recession.

# Laker trims New York fare to £78

Michael Donne on the latest move in the airlines' price

THE DECISION by Laker Airways to cut further the cheapest fares between the UK and the U.S. could have far-reaching implications for the other airlines on the route, who are struggling to win traffic at a time of economic recession.

The ebullient Sir Freddie Laker, chairman of Laker Airways, did not respond two weeks ago when British Airways and Trans World Airlines indicated a private bout of fare-trimming.

But he came into the battle yesterday in characteristically uncompromising fashion, with new cheap rates that threaten to send his rivals reeling.

Sir Freddie has done two things. First, he has responded to the BA-TWA cut-price war on Stand-By fares (traditionally the bottom end of the market) by trimming his own Standard (he does not use or like the term Stand-By) rates from the BA/TWA £82 single to New York to a new low of £78.

The Stand-By fare (and Laker's Standard rate) are available on the day of travel if there is space available. On BA, TWA and Pan Am, if a passenger cannot get a Stand-By fare, he has to come back next day and take his chance again, with no guarantee of success.

With Laker Airways a Standard-fare passenger is guaranteed a seat on the next available flight, if he cannot get on the first flight of his choice. Laker keeps back up to 40 per cent of all the seats on his Skytrain flights for the Standard-fare travellers, and claims that "no-one leaves the Laker ticket offices without a seat."

Second, and more significantly, Sir Freddie has slashed the "no-strings" Economy Class single fare from the £189 London-New York offered by British Airways to £92, with comparable massive reductions in the Economy rates on the routes to Miami and Los Angeles.

He calls his new fare a "Super Economy," and in view of the size of the cuts involved, it is indeed a bargain for any would-be transatlantic traveller.

The implications of this cut, however, go much further than is immediately apparent: for Sir Freddie has cut the ground from underneath one of the rival airlines' major traffic-winning fares—the Super Apex (Advanced Purchase Excursion) rate.

The Super Apex rate is designed to attract the "visiting friends and relatives" type of traffic, who are not prepared to take any chances on Stand-By rates and want guaranteed seats, although they may cost more.

This winter, British Airways plans to offer a Super Apex between London and New York of £119. But there are strings attached—booking and payment 21 days in advance, a stay requirement of seven days to six months, with no changes in travel allowed and a cancellation fee of £25.

Sir Freddie's Super Economy rate wrecks this cosy arrangement since by buying two Super Economy single fares, a

traveller can get to New York and back for £184, with no strings attached.

He can book his ticket on the day of travel; get full in-flight service with meals; he can stay as long as he likes; and he can be assured of a guaranteed seat there and back.

Sir Freddie himself yesterday described his new Super Economy fare as "a truly democratic air fare," which a traveller could consider using not only for himself but also for his family. Comparable savings are available against Super Apex rates by using the Super Economy Return on the Miami and Los Angeles routes.

Clearly, this new fare will hurt Sir Freddie's rivals; he wants it to. He said yesterday that he had always promised them competition, and he had already given it to them, and planned to give them more.

Just how much he has hurt them is revealed by Laker's own figures. This week, Skytrain carried its millionth passenger since services began about three years ago.

Laker claims massive load factors—the percentage of seats filled—of nearly 80 per cent on the Los Angeles route since April this year, nearly 85 per cent on New York and nearly 89 per cent on the Miami route.

By the end of July this year, Laker had carried more transatlantic passengers than it did in the whole of 1979. "We are now operating 43 scheduled DC-10 Skytrain round-trips every week between the UK and the U.S. and together with charter flights we are making up to 108 single transatlantic crossings every week."

Sir Freddie claims to have captured up to a third of the market between the UK and Miami, 25 per cent of that to New York, and over 30 per cent of that to Los Angeles.

He will need a load factor of 73 per cent to make his new rates pay, but last year he had an overall system load factor of 81 per cent (giving him a net profit of £3.8m on all his operations), and he thinks he will get at least 82 per cent this year.

Sir Freddie thus seems to be in a strong position. Certainly,

he is in a pugna mood, and is determined to go out for even more traffic. "There is no recession in Laker Airways," he declares.

Moreover, he stresses his determination to be flexible. If the other airlines decide to do battle, and trim their rates again to match his, he will be prepared to come down even lower.

"We will do anything in Laker Airways if it is to our advantage on the day," he says. "We would be stupid if we adopted any other attitude."

Thus, the transatlantic air fares war seems to be far from over. Just where the next move comes remain to be seen. It is up to British Airways, Trans World and Pan Am to respond to the Laker challenge, especially on the Super Economy fare.

So far, they are reluctant to comment. But TWA said two weeks ago that it would be prepared to trim its Stand-By fares further if it felt that any response by Laker—or others—undercut it. Laker has now done just that. No-one will be more interested to see what happens than Sir Freddie himself.

## LONDON—U.S. AIR FARES (From October 15)

Airlines & Fares	Routes between London and New York	Los Angeles	Miami (c)
Stand-by single (BA, PAA, TWA) (a)	82	113	86
Standard single (Laker) (b)	78	109	82
Normal Economy single (BA, PAA, TWA)†	189	278	210.50
New super economy single (Laker)††	92	134	101
Super Apex return (BA, PAA, TWA)*	194	278	203
Super economy return (Laker)††	184	268	202

(a) Only if seats are available on day of flight.  
(b) Up to 40 per cent of seats on all Laker Skytrain flights held for Standard Fare passengers.  
(c) BA, Pan Am and Laker serve Miami, TWA does not.  
Special conditions on Super Apex including payment 21 days in advance, stay of 7 days to 6 months required; no stopovers; no changes in travel plans allowed; £25 cancellation fee.  
† No restrictions on normal Economy and Laker super economy single and return, with freedom to book day of travel and to stay as long as passenger wants, with seats fully reserved.

## British Airways to cut Belfast-London fares

BY OUR BELFAST CORRESPONDENT

BRITISH Airways is to introduce a range of cut-price stand-by and excursion fares on the Belfast-London shuttle, in response to this week's fare cut on the route announced by British Midland Airways.

However, the standard £88 British Airways return fare will be unchanged. The airline said the new structure was "based on economic reality, not economic myth."

BMA said on Monday that it was seeking Civil Aviation Authority approval for a £10 cut in the Gatwick-Belfast

return fare, to £66, in an effort to raise its share of the London-Belfast traffic from 30 per cent to at least 25 per cent.

British Airways' new package, if approved, will operate from October 1, with a single stand-by fare of £20 on the last two flights each day, with no guaranteed seat, or with a £24 single stand-by on every flight, with a guaranteed seat on the third departure after check-in.

BA also plans an excursion fare of £58 return, as well as a reduced fare for pensioners.

# OFT inquiries 'will not mean Genghis Khan ravaging of industry'

Despite assurances, the CBI will be checking closely for over-zealousness, says David Churchill

THE FIRST two investigations announced on Wednesday into alleged anti-competitive practices by individual companies will unleash on British industry a new and untried procedure at the Office of Fair Trading.

The companies under examination are IT Raleigh Industries and Pette Refrigeration.

Already the Confederation of British Industry has warned that it will monitor closely the OFT's new activities to ensure it does not become over-zealous. But Mr. Gordon Borrie, Director General of Fair Trading, has made it clear that these investigations "cannot be performed without impinging in some degree on management."

However, Mr. Borrie has also emphasised that he has "no intention of releasing, like some latter-day Genghis Khan, a golden horde of officials to ravage British industry in an

attempt to achieve some pointless target."

Yet the three remains that the OFT's probes may bring on it the same opprobrium among politicians and industrialists that was heaped on the Price Commission, which was speedily axed by the present Government.

The Government has been left in no doubt by industry leaders and many of its own backbenchers that they consider the new investigations into anti-competitive behaviour to be irrelevant in view of the sharp economic recession facing industry.

In spite of some shakiness in its resolve, though, the Government has stood firm on its policy that in the long-term battle to curb inflation and improve the UK's economic performance, a more rigorous pro-

cedure to improve business competition must be established.

The length of the OFT's investigation is not specified in the Competition Act—the Office is "only required to act expeditiously"—but in practice this initial probe is likely to last about three months.

The OFT will have two teams of three officials in each responsible for carrying out the investigations. Outside consultants will not be used unless exceptional technical problems arise.

One of the team, probably the leader, will act as a liaison officer with the company concerned to ensure good communications are established and that demands on the company's time are kept to a minimum.

The team will have to obtain information from the company

under investigation and from other companies directly or indirectly involved. In the case of Raleigh, therefore, this will include retailers such as Tesco and Argos.

As the investigation progresses, the OFT will prepare successive drafts of its report and will clear the factual parts with the company concerned.

The report's conclusions will not be cleared with the company beforehand, although as a matter of courtesy confidential copies of the report will be given to the company 24 hours before it is published.

The report itself is required to describe, with reasons, the course of conduct considered anti-competitive and the persons, goods, or services concerned.

But the Director General of Fair Trading (in whom the

powers are invested) is not required to consider whether or not the practice is against the public interest; that is left up to the Monopolies and Mergers Commission eventually to decide.

There are three possible outcomes from the OFT's investigation. First, if the report concludes that the course of conduct is not anti-competitive then no further action will follow.

Second, if a case of anti-competitive behaviour is established the Director General may still decide not to refer the practice and company to the Monopolies Commission to determine the public interest. This could happen if the effect of the anti-competitive practice was minimal or had already been discontinued.

Third, the practice and company can be referred to the

Monopolies Commission for the effects on the public interest to be considered.

However, such a reference cannot be made until at least four weeks after the report has been published. Nor may it be referred once eight weeks have elapsed (or 12 weeks if the period is extended by the Trade Secretary).

During this month or two after the report is published the OFT can respond to—but does not have to seek—representations made by the company involved. A company may decide, for example, that rather than face further investigation it will voluntarily abandon the anti-competitive practice and give an undertaking to the OFT to this effect.

If no undertaking is offered, then a Monopolies Commission investigation will almost cer-

tainly follow. If a company subsequently fails to keep to the undertaking, then the OFT can refer the case to the Commission without need for a new investigation.

When a company is referred to the Commission, the OFT cannot extend the terms of reference from those originally laid down. But it can, in the light of experience, make it a narrower reference. The Trade Secretary has a right to veto the reference within 14 days of its being made.

The Monopolies Commission, with a larger investigation team than the OFT, will have six months (which can be extended to nine) to review the OFT's findings and determine the effect on the public interest.

In making up its mind the Commission will take account

of several factors, including the need to promote competition, promoting the interests of consumers and other customers, promoting lower costs and techniques, maintaining a balanced distribution of industry and employment, and maintaining exports.

The crucial point is that there is no statutory assumption that a practice which restricts competition is automatically against the public interest.

Apart from the mechanics of the new competition investigations, however, the main problem facing the OFT is still likely to be finding sufficient evidence to back up allegations.

The OFT hopes that the publicity surrounding these initial investigations—and two likely to be announced next month—will encourage more companies to come forward with evidence of anti-competitive behaviour by competitors.

## APPOINTMENTS

### Senior posts at Antony Gibbs

Mr. Stanley Harding is to join the Board of Antony Gibbs Holdings. He will not be a full time executive but, in addition to carrying out normal Board duties, will be involved in the development of the company following its acquisition by the Hongkong and Shanghai Banking Corporation, and will become chairman of certain of the company's non-banking subsidiaries.

On joining Gibbs, Mr. Harding will resign as a non-executive director of Hill Samuel and Co. He is also a director of a number of other companies, including British Shipbuilders

and BPE. He was formerly finance director of Thomas Tilling and chairman of Cornhill Insurance.

Mr. David Macdonald, group chief executive, has been appointed chairman of Antony Gibbs and Sons, the subsidiary operating the banking business. Mr. John Howard will remain deputy chairman of Antony Gibbs and Sons and Mr. William Underwood, who has been chairman of certain of the company's non-banking subsidiaries, will resume an executive position in Antony Gibbs and Sons as director in overall charge of commercial

banking and the treasury function.

Mr. Brian Warrington has been appointed president of ANDERSON JACOBSON CANADA in addition to his post as managing director of Anderson Jacobson, Slough. In his combined role he will be responsible for about 80 per cent of AJ Inc's non-U.S. revenues.

Mr. Brian Martin has joined the Board of LOGICA as director responsible for management group.

The Lord Chancellor and the Lord Advocate have appointed Mrs. Brenda Heggett a member of the COUNCIL ON TRIBUNALS.

Mr. Peter Underhill has been appointed director and general manager of the COURIER EXPRESS division of Security Express, a De La Rue company.

BERKELEY EXPLORATION AND PRODUCTION has appointed Mr. Henry Boyd company secretary.

Mr. Richard Farr has been appointed director of BELLWAY (SOUTH EAST).

ELENA MAE has made the following Board changes: Mr. J. C. Frame, executive chairman of Elena Mae is resigning from that position, but continuing as a director. He remains a director of the holding company, Caledonian Associated Cinemas. Mr. Robert Low, a director of Caledonian Associated Cinemas and Elena Mae has been appointed chairman of Elena Mae. Mr. W. Stuart C. Hunter, director and general manager of Elena Mae, has been appointed managing director.

Mr. Malcolm Williamson has been appointed an assistant general manager of BARCLAYS BANK.

Mr. J. M. Weir will relinquish his executive responsibilities with SIDLAW INDUSTRIES on September 26 as a result of the

contraction of the group's textile activities. He will remain a director.

Mr. Bob Hart, London-based publicity director, has been appointed director, video development for EMI MUSIC. He will be based in the Capital Tower in Hollywood.

Mr. Roger Stubbs, London-based planning director, becomes director of planning and business development. Mr. Geoff Kempin, EMI Records (UK) video projects manager, will continue to coordinate the company's home video activities and will also take responsibility for co-ordinating promotional video production in the UK.

Mr. P. A. Von Wielligh, an executive director of Johannesburg Consolidated Investment Company, has been appointed chairman of THE RANDFONTEIN ESTATES GOLD MINING COMPANY, Witwatersrand. He succeeds Mr. B. A. Smith, who has resigned.

Mr. John Muschamp, chairman and managing director of the Coachwork Conversions, has been appointed chairman of the new commercial vehicle bodybuilders section of the SOCIETY OF MOTOR MANUFACTURERS AND TRADERS.

Mr. W. D. Blaney has been appointed managing director of W. AND J. GLOSSOP and Mr. R. J. Endersbee has been appointed financial controller.

Mr. Robin G. France has been appointed to the Board of TINSLEY WIRE (SHEFFIELD), members of the TWIL Group, as financial director.

PROVIDENT FINANCIAL GROUP has appointed Mr. F. Grant to the Board as a non-executive director.

B. ELLIOTT GROUP states that Mr. R. A. Larkin, formerly sales director of Butler Machine Tool Company, Halifax, has been appointed managing director of Snow and Co. Sheffield. Mr. Ted Good, formerly managing director of Snow and Co., is now based at Halifax, and is responsible for the chairmanship of several of the companies in the manufacturing division of the B. Elliott Group.

## Letraset finance director

Mr. Niels Andersen has been appointed to the Board of LETRASET as director of finance and corporate development. He joins from Massey-Ferguson where latterly he was director and assistant to the vice-president, European and world export operations, prior to which he was comptroller at Massey-Ferguson UK. Previously, he worked for McKinsey and Co. in London and Ford Motor Company in the U.S.

SAVAGE INDUSTRIES, manufacturer of Spur Shelving systems, has appointed Mr. D. J. Brown, as financial director. He comes from Vacu Blast.

Mr. John Holland has been appointed company secretary to ASSOCIATED TYRE SPECIALISTS.

Mr. C. H. S. Barker (formerly group property manager) has been appointed retail property director of JOHN MENZIES (HOLDINGS).

Mr. Peter Gardner has been appointed by ATV MIDLANDS as general manager (West Midlands). Mr. Gardner, who is currently head of production facilities at Tyne Tees Television, will also join the Board of ATV Midlands.

Mr. Timothy W. R. Nell has been appointed financial director and company secretary of WEST'S PROCEM, Darlington, part of the WGI Group.

Mr. Stuart E. Reider, vice president, has been appointed market management division head in BANKERS TRUST COMPANY'S international investment management group in New York.

Mr. Karlar Munde, managing director of London Tea and Produce Company, has also been appointed managing director of THE HYDE PARK TEA COMPANY.



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# Japanese car imports rise

BY JOHN GRIFFITHS

THERE was concern yesterday, as the Trade Department gave formal backing to the Society of Motor Manufacturers and Traders in seeking a further voluntary pact in Tokyo next month on Japanese car imports, at the recent signs of growth in these imports.

August is expected to be one of the year's biggest sales months, possibly reaching 210,000 units. The Japanese share so far is unofficially reported at just under 20 per cent.

If this were maintained for the month, and the society's forecast of 1.5m total sales this year proved correct, Japanese sales for the last four months of the year would need to be cut to about 5 per cent to stay within the agreed "prudent" marketing limit of 11 per cent.

In the first seven months of this year the Japanese share was 10.99 per cent.

There was increasing concern as to whether Japanese imports would now stay within the limits of the existing agreement.

## Land Rover hopes to win back lost sales ground

BY LORNE BARLING

LANDROVER's sales figures for the first half of this year are expected to show that it has regained lost ground in the home market as one of the benefits of its £200m investment programme, Mr. Mike Hodgkinson, the managing director, said yesterday.

The programme is part of the overall BL recovery plan.

Land Rover is likely to achieve 60 per cent of total sales in the second quarter, compared with only 52 per cent in the second half of last year.

It is estimated that about 6,000 Land Rovers and Range Rovers were sold in Britain between January and June. Land Rover sales were up 3 per cent on the same period last year.

Mr. Hodgkinson, speaking at Eastnor, Worcs, on the occasion

# Casey to join Mather and Platt

By Our Shipping Correspondent



Mr. Michael Casey

MR. MICHAEL CASEY, former chief executive of British Shipbuilders, has turned down the opportunity of returning to the Civil Service, and has been appointed chairman and managing director of Mather and Platt, the Manchester engineering group.

Mr. Casey, 51, a former under-secretary in the Industry Department, was seconded to British Shipbuilders in 1977 as chief executive and deputy chairman.

When his contract expired at the end of May the Government decided not to renew it, and there has been considerable speculation about his future plans.

It is understood that he could have returned to Whitehall with his former rank of under-secretary but this would have involved a substantial cut against the £30,000 he earned at British Shipbuilders.

Mr. Casey will take over as chairman of Mather and Platt at the beginning of next month. He will replace Mr. R. J. Moore, the present chief executive, who is returning to Australia, home of Mather and Platt's parent Wormald International.

# BAT to sponsor Philharmonia

BY LISA WOOD

BAT Industries, the UK-based tobacco group, is to provide £600,000 to the Philharmonia Orchestra over two years in a sponsorship deal to promote its du Maurier brand of cigarettes.

The deal, coming at a time when the Government is urging arts organisations to seek industrial support, is believed to be the largest negotiated by a British orchestra.

The du Maurier sponsorship will cover the autumn and summer seasons and there is a possibility of an extension of the arrangement after 1982.

Approximately 60 Philharmonia concerts will be sponsored in London and the provinces. The sponsorship will be particularly welcome for performances outside London as the Government subsidy to the orchestra, administered by the London Orchestral Concerts Board, does not cover touring work.

Mr. Peter Roberts, managing director of BAT UK and Exports, said the sponsorship would "increase and enhance consumer awareness of the name of the House of du Maurier. That can only be beneficial to cigarette sales in the long term."

He added that the deal would in no way compromise the orchestra's "much valued artistic independence."

BAT Industries had a total turnover in tobacco last year of over £4.2bn. It did not compete in the UK market until 1978, however, because of a long-standing agreement with Imperial Tobacco.

This was broken after the UK joined the EEC and BAT entered the British tobacco market with the launch of its State Express brand. In spite of heavy promotional spending, the company still has only 2 to 3 per cent of the total market.

Men and Matters, Page 12

# LABOUR

## Pay dispute threatens to disrupt Post Office

BY PHILIP BASSETT, LABOUR STAFF

LEADERS of 6,500 Post Office clerical and computer staff yesterday decided to recommend their members to take industrial action in what threatens to be a repeat of the damaging dispute last year that delayed the issue of computer-processed telephone bills.

The Post Office group executive of the Society of Civil and Public Servants decided yesterday to reject the Post Office's pay offer, which has been accepted by 146,000 engineers and 37,000 clerical staff. Management staff are going to arbitration on the offer.

The offer would give an immediate 18 per cent increase on basic rates, together with a 2 per cent consolidated productivity payment, both backdated to July 1. A further 1 per cent productivity payment would be made on December 1, and a final 2 per cent on April 1 next year.

It would mean, therefore, pay packet increases over the year

to next July of 23 per cent, although the size of any deal this year would be kept to 21 per cent because the final 2 per cent will not be paid until the Post Office's next financial year.

The SCPS rejected the offer, however, because it would give its members less than the package accepted by the engineers in the Society of Post Office Executives (SPOE).

Those engineers won a 6.3 per cent increase on top of a pay and productivity deal, to take into account a 54 per cent arbitration award earlier this year to the Post Office Engineering Union.

Sir William Barlow, Post Office chairman, has already told the SCPS that there is no scope for a special increase to match the SPOE rise. The group executive therefore decided yesterday to send out, probably next week, its recommendation for action to be considered at membership meetings next month.

## Brixton employment office strikers urge mass picket

BY PHILIP BASSETT, LABOUR STAFF

STRIKERS arrested when police restricted to six the number of pickets outside a South London employment office called yesterday for a mass picket of the office next week.

Civil servants who have been on strike for more than seven weeks at the Brixton employment office over the dismissal of two employees who were union activists said yesterday that they were urging all other trade unionists to stage a mass picket outside the office next Wednesday. Police made 17 arrests following the picketing of the office on Wednesday.

The strikers acknowledged that the industrial action was in part drawing away from a dispute over the sacking of the two employees a challenge to the code of practice on picketing issued by Mr. James Prior, Employment Secretary, which recommends that the number of pickets be restricted to six.

The Brixton Unemployment Benefit Office Campaign for Trade Union Rights, which has been mainly set up unofficially by members of the Civil and Public Services' Association, said it would be sending a circular out to unions asking them to come to the office in Cold Harbour Lane, Brixton, to support our right to picket."

Mr. Philip Cordell, secretary

of the Department of Employment's South London branch of the CPSSA, and one of the two dismissed by the Department for taking time off without permission according to the Department, for trade union affairs — said the campaign would try to use as many people as necessary to mount an effective picket.

He thought previous numbers of pickets on the office of about 30-40 had been effective before the police began to limit numbers.

Mr. Cordell said he was arrested the day after Mr. Prior's television announcement of the Government's intention to recommend a limit of six pickets in its code of practice.

Some campaign officials said that if the police wanted to turn the code of practice over to a legitimate code of picketing they would not shy away from that, though in essence the dispute concerned the right of civil servants to organise themselves into trade unions.

The police claim that the restriction of the number of pickets to six — two to each of the office's three entrances — had been decided for some time before hand and the fact that it was the same as recommended by the picketing code was a coincidence.

The CPSSA officially does not recognise the dispute, though its annual conference this year

## Van market stronger than cars

By John Griffiths

DEMAND for new commercial vehicles fell sharply in July. Registrations, at 15,338, were 20.08 per cent down on the same month last year, according to statistics from the Society of Motor Manufacturers and Traders.

However, the market is holding up substantially better than the cars sector. Registrations in this year's first seven months, at 163,379, were 7.18 per cent down on last year.

The fall in the car market approaches 15 per cent.

Imports accounted for 17.57 per cent of the July total, a fall on the 18.45 per cent level of last July.

The underlying trend toward higher imports is reflected in the 23.60 per cent for the year to date, compared with 22 per cent in the first seven months of 1979.

Registrations of light-car-derived vans fell by just under 22 per cent in July to 4,156. The sector is down by about 18 per cent on the year so far.

Vans weighing up to 3½ tons fell back in July by about 19 per cent, to 6,537, but they show overall growth this year, with 71,380 units registered in the first seven months against 70,387 in that period last year.

Ford has gained most at the expense of other manufacturers. Its sales so far this year are nearly 4,000 higher, at 28,367, making it the clear market leader.

Only the Japanese makers and Peugeot have also gained ground in the sector.

Four-wheel-drive vehicles were the only group to gain sales in July, 558 units against 544 last year. But at the growth so far this year, from 5,740 to 6,219 units, has come from Japanese imports.

Registrations of trucks and articulated vehicles over 3½ tons continued to fall, by more than 25 per cent at 4,087 units in July.

For the year so far, they are down by about 10 per cent, at 40,455 units.

## Royal Navy 'diminished by Labour'

Financial Times Reporter

THE Soviet navy is undergoing a "rapid and dramatic expansion" but Royal Navy strength has been cut to well below the minimum level for its peacetime needs, says the forward to the 1980-81 edition of Jane's Fighting Ships.

"The policies of the previous British Government succeeded in diminishing the Royal Navy in everything but professionalism," claims Captain John Moore RN, the editor.

Jane's Fighting Ships 1980-81, £40.

## Electricity Council breaks its silence on fund managers

BY CHRISTINE MOIR

MR. ALAN URWIN and Mr. William Lunn were publicly suspended for five months as investment managers of the Electricity Council pension funds and then forced to retire early because of professional shortcomings. There was "no evidence of any impropriety on the part of the two men," the Electricity Council admitted yesterday.

Sir Francis Tombs, council chairman, broke the silence the institution has maintained since the men were suspended in March.

He claimed that in 1978, when the two men advised the pension fund's trustees to buy out the minority shareholders of Westmoreland Investments, an unquoted property company, they failed to inform the trustees of opposing advice from the fund's accountants and property values.

The accountants told the two men that the purchase should not go ahead until a full accounting investigation had been carried out. The property advisers valued the assets of the Westmoreland at substantially less than the two men were recommending should be paid.

The failure to pass on the advice to the trustees, which Sir Francis called a "serious professional misdemeanour," came to light through a broader overhaul of the pension funds' strategy and structure.

By 1979, Sir Francis said: "It was becoming clear that the machinery for trustees' dis-

charge of their responsibilities needed updating and improving."

Property valuations, for instance, were carried out by the same firm which recommended property purchases.

The independent advisory panel intended to advise on strategy was "very ineffective." There was no formal strategy document. There was no specialist property surveyor employed in the funds.

J. Henry Schroder Wagg, the merchant bank, was called in to recommend improvements. Among other areas, its report highlighted the weaknesses described.

At the same time Mr. Austin Bunch, who was appointed chairman of the board of trustees in February 1979, became concerned at the method of valuing the funds' unquoted investments. These amounted to some £60m worth of investments, nearly £30m of which was represented by Westmoreland largely by a rescue following the property collapse of 1974.

Mr. Urwin's and Mr. Lunn's failure to pass on professional advice about Westmoreland came to light then. Mr. Bunch asked Cork Gully, accountants, to study the whole pattern of Westmoreland's acquisition and say whether any irregularities might have been involved.

Cork Gully's report did not reveal any evidence of impropriety by the two men, but said that the trustees would not have seen £5.4m in 1978 buying out the minority if they had been told of the professional advice. "That they were not told was 'unacceptable' professional practice."

## 2,600 seek to start companies in Scotland

MORE THAN 2,000 people who want to start their own businesses have asked for details of "Enterprise Scotland," a business competition run by the Scottish Council (Development and Industry).

The competition closes on August 31 and 220 business proposals have so far been made. First prize of £10,000 and other smaller prizes — which include rent free accom-

modation — for four areas of Scotland have been donated by companies, banks, councils and development corporations.

Mr. James Johnstone, Scottish Council Chief Executive, says the aim is to help every entrant, not just prize-winners. "We want to stimulate, encourage and help people who have the energy, ideas and ability to start or develop their own businesses."

## Tootal to close mill at Blackburn

TOOTAL, the textile group, is to close the Vale mill at Blackburn, one of its last weaving units in Lancashire. Some 175 employees will be affected by the mid-November closure.

The group's production of basic woven fabric was concentrated at Vale earlier this year when the larger Sunny-side mill was closed with the loss of 280 jobs. Tootal said yesterday there had been further deterioration in business, and medium term forecasts were poor.

About 180 jobs will be lost through amalgamation of the Cutting Tool Division of Sandvik UK Ltd. and the Witnet Group. Both are subsidiaries of the Swedish Sandvik Group. Most of the 180 redundancies will be among Witnet staff in Coventry, and the rest when the Alston Tool and Gauge factory in West Drayton closes.

Management of Metal Box has warned its 3,200 workers at Neath, Carlisle and Winsted that there may be short-time working in the autumn.

Metal Box is the leading customer of the British Steel Corporation's three South Wales tin plate plants at Trostre, Velindre and Ebbw Vale, which will each close for a week later this summer because of low demand.

● INFLATION WARNING: Mr. Roy Hattersley, shadow Environment Secretary, warned today figures to be published showing a drop in inflation are not a sign that Government economic policies are working.

The July retail price index is expected to show inflation dropped last month to an annual rate of about 17 per cent, from 21 per cent in June. The reduction will have come mainly as a result of last year's near-doubling of VAT dropping out of the year-on-year comparison.

● SPENDING FLEA: Mr. John Patten, Tory MP for Oxford, yesterday urged the Government to adopt new methods of measuring public spending and borrowing. Management of the economy would be helped if the all-embracing term — public sector borrowing requirement — were dropped, he said.

Mr. Patten says that borrowing by central and local government and the nationalised industries should be measured separately.

● OUTPUT DOWN: Steel production in Britain averaged 281,200 tonnes per week in July, 27.8 per cent down on the level for July 1979. Last month's figure represents a decline of 26.8 per cent against June output. This was partly caused by holidays but also reflects the continuing severe recession in the industry.

## Government 'heading for clash with unions'

THE GOVERNMENT is set for a confrontation with trade unions unless it acts to stop increasing redundancies and short-time working, Mr. Terence Duffy, president of the Amalgamated Union of Engineering Workers, warned yesterday.

He told the annual meeting in London of the British section of the International Metalworkers' Federation that the unions did not intend a confrontation, but "we will not stand idly by and watch our living standards being eroded and our members thrown on the scrap heap."

Almost every day in the metalworking industries saw further announcements of short-time working, lay-offs, closures and redundancies. Not all could be attributed to the general recession. "Much can be laid

## Consett appeal to MacGregor

STEEL UNION leaders are to appeal directly to Mr. Ian MacGregor, British Steel Corporation chairman, to stop the Consett works closure where 3,700 are employed.

If they get no satisfaction the next step would be to seek a meeting with Sir Keith Joseph, Industry Secretary.

After that, the main recourse would probably be to the TUC, in the form of an emergency motion to next month's congress, seeking broad trade union support to prevent the closure.

In spite of the lure of redundancy money — perhaps up to £10,000 a man — the Consett workers at a mass meeting on Wednesday voted unanimously to fight on. Dockers in the North-East were reported to have offered help by agreeing to stop the movement of steel imports at local ports.

The decision to see Mr. MacGregor was taken yesterday by the TUC steel committee. Its chairman is Mr. Bill Sins, general secretary of the Iron and Steel Trades Confederation.

Publicly, the unions are sticking to their argument that Consett is profitable and that its closure is a needless hardship in a town that depends almost entirely on the one industry.

But, in the face of BSC's determination to cut capacity, however profitable individual plants may be, there must be grave doubts about the unions' ability to save the works.

The degree of support offered by other trade unions at the Brighton congress could, however, be an important factor. The plan is due to shut by the end of September.

Consett is viewed as a particularly hard case. Even at Consett, another steel dependent town, the closure was mitigated by the apparent interest of other employers in moving in. But, as one union official said, Consett would have left its some poor roads leading to other areas of high unemployment.

The meeting with Mr. MacGregor will be the first that the union leaders have had with the new chairman. "Obviously it will be to discuss general policy, but it is understood that Consett will be top of the agenda."

## Prior in challenge over worker-director laws

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

COMPANY DIRECTORS have been challenged by Mr. James Prior, Employment Secretary, to strengthen their campaign against worker-director legislation by developing voluntary forms of employee participation in their companies.

This emerged at a meeting between Mr. Prior and leaders of the Institute of Directors who are campaigning against the EEC's proposed fifth directive on worker-directors.

Mr. Prior told the institute's delegation that the Government was opposed to the imposition of rigid structures of employee participation. He indicated that it would resist any such proposals produced by the European Commission.

The European Parliament is debating the fifth directive, which may emerge in a far more flexible form than was envisaged when it was proposed eight years ago.

Mr. Prior said the Government's case in future EEC debates would be considerably strengthened if UK companies increased employee communication and participation.

Mr. Walter Goldsmith, institute director-general, said later that his organisation's industrial relations committee was planning a fresh initiative on voluntary reforms.

## Retail sector 'in crisis'

BRITAIN'S sixth largest trade union, the Union of Shop, Distributive and Allied Workers (USDAW), has reacted swiftly to the announcement by high street stores group F. W. Woolworth of a £16m fall in its interim pre-tax profits.

Mr. John Flood, the union's deputy general secretary, said yesterday that the statement by Mr. Geoffrey Rodgers, the company's chairman, was very much in line with views consistently expressed by USDAW on the developing crisis in the retail sector.

## Sterling M3 up 5% in month

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING M3, the broadly defined money supply, rose by £2.95bn or 5 per cent in the month to mid-July on a seasonally adjusted basis, according to Bank of England figures published yesterday.

This partly reflected a readjustment of business by the banks after corset controls on the growth of their interest-bearing eligible liabilities — a large part of their deposits — ended in June.

The narrowly defined money supply, M1, also rose sharply, by £976m or 3.6 per cent. But most of this was in the volatile category of interest-bearing sight

deposits, which are likely to have been affected by the post-corset adjustments.

The non-interest bearing component rose by only 0.8 per cent, for an increase of little over 1 per cent at an annual rate since mid-February.

Domestic credit expanded by £3.5bn, principally reflecting a £2.43bn increase in bank lending in sterling. Lending in sterling overseas rose by £680m, probably including an element of post-corset adjustment in bank Eurosterling operations.

Central Government borrowing was £420m. This was more than explained by the need to

Money stock M1			Sterling M3		
1980	change	%	change	%	
January	+49	+0.2	+492	+0.9	
February	-411	-1.5	+221	+0.4	
March	+204	+0.7	+302	+0.5	
April	-105	-0.4	+215	+0.4	
May	+115	+0.4	+1,250	+2.2	
June	-297	-1.1	+447	+0.8	
July ...	+976	+3.6	+2,954	+5.0	

All figures seasonally adjusted.  
\* Lending to UK private sector.

Source: Bank of England



## MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

## Why a Spaniard is bullish about the jeans market

MANY a foreigner trying to speak Spanish has stumbled over the pronunciation of the letter "J". The soft, throaty sound is one of the peculiarities of the Spanish language. Yet Joaquim Saez Merino has succeeded in teaching Spaniards that a "J" can be hard—at least in jeans.

With his "Lois" and other brands Saez Merino claims to run the world's fourth biggest jeans manufacturing operation—after Levi Strauss, Wrangler and Lee. Through two companies, Saez Merino SA and Textiles y Confecciones Europeas (Tyceas), he and his family control just under 50 per cent of the domestic market and are fast expanding in Europe, the developing world and the U.S. He is just setting up a \$4.5m plant in Cork geared mainly to the UK market and another FFR 60m factory in France.

Saez Merino's venture ranks as one of the most remarkable success stories in modern Spanish business. It also reflects in good measure the social and economic changes that have taken place in Spain in the past 30 odd years.

Saez Merino started off his commercial life in 1942 when, at the age of 14, he was made to work at a small store owned by his parents in a village in Valencia. The store sold Pta 200-worth of goods a day, equivalent now to £20. In his village the women made sandals at home, so they couldn't make clothes for the men. Thus there was an unusually high demand for trousers and made-up clothes.

It was this circumstance that launched him on his career; he started selling trousers in the family store.

When he was 16, he decided to risk selling to a bigger market than the 600 population of his village. Millares. He bought more trousers and shirts from suppliers in Valencia and went round the neighbouring villages on a donkey. The nearest village was almost five hours walk—beside a laden donkey—and it meant getting up at four in the morning.

In the harsh days of shortages after the second world war he found he could no longer rely on his suppliers. "I therefore decided to buy my own material and have it made up in my village." Here he was lucky



again we came up against the same problem, that of supply. In Spain then the textile companies were small and we had to buy from a series of different suppliers which meant that the quality varied. We therefore decided to manufacture our own cloth. This decision proved a key to future development because it provided control over the quality and supply of cloth and offered the advantages of vertical integration—a strategy which Saez Merino has since always followed. This is what has distinguished him from other new manufacturers in the field.

Spain was slow to take to jeans but by 1959 Saez Merino saw there was a rapidly expanding market which at the time was effectively monopolised by one company, Rok jeans, which he has subsequently overtaken completely. He moved in with "Dylan" jeans—a name he took out of a magazine not realising that it had already been patented by a British company. So he was obliged to find a new name. He wanted Luis but was dissuaded as this was too

The denim boom has become a world-wide phenomenon, and competition ever fiercer. Following reports on Levi Strauss and Wrangler, the market leaders, and on Lee Cooper, a major UK manufacturer, ROBERT GRAHAM looks at the strategy of the world's 4th largest manufacturer



Joaquim Saez Merino: "I would rather burn my jeans than sell cheap."

and operates from one of his plants that backs on to a suburban railway line outside Valencia.

Moreover, the size and family nature of the company provide important flexibility. For instance in 1974, faced with a shortfall in the supply of indigo dye, it successfully built a temporary facility of its own.

The business remains family-run and Saez Merino is keen to keep it that way. But he has recently brought in an American marketing executive and also employs a French designer.

In 1977 he and his brother decided to split the operation. The original company, Saez Merino SA, was hired off to his brother and given control of supplying the domestic market and Canada with Lois goods. He,

meanwhile, set up a new company, Textiles y Confecciones Europeas (Tyceas) with a Pta 100m capital to cover the rest of the world. Saez Merino owns 99 per cent of the equity.

He seems to have split the original company partly because he felt the need for a new challenge and partly because the company was becoming more and more export-oriented. Between 1971 and last year the combined annual sales of the two companies rose from Pta 1.2bn (£7.5m) to Pta 14.35bn (£87.5m).

Over two-thirds of it is exports. Thus Tyceas is the much larger of the two operations, employing 3,500 workers in four textile plants and eight manufacturing plants in Spain.

Saez Merino is currently contemplating a temporary cut-back in production to ease mounting stocks. He says he would prefer to do this than to cut prices. "We have quality and want to stay in the upper end of the market." This he believes ultimately to be his best insurance against the increasing appearance of pirate brands.

"Once in 1967 there was a sharp fallback in sales and we had a very difficult time. I refused to lower prices and preferred instead to shut down for six months. I would rather burn my jeans than sell cheap," he says with the sureness of a good salesman.

As a precaution, he has decided to diversify to avoid total dependence on jeans, and on one brand. He now has two others, and is also moving into sportswear and knitwear, which now account for 5 per cent of turnover. By 1982 this should have risen to 15 per cent.

Saez Merino himself does not wear jeans, and has never done so. "They don't suit me," he adds.



—in addition to plants in Argentina and Portugal.

Until now the main emphasis of exports has been towards Europe, especially to the northern members of the EEC; hence the plants now under construction in France and Ireland. The Cork factory, due to come into operation by mid-1981, will produce 3m pairs of jeans, of which 70 per cent will be aimed at the UK market, the

## Putting employees in the picture

BY JOHN CHITTOCK

THIRTY YEARS AGO it was quite an innovation for a company to produce a film explaining its annual accounts both to its employees and to the public. The trail blazer was ICI and the film—now a classic—was called "Balance 1950". It was a colour cartoon done in humorous vein.

The tradition of using audiovisual media for employee communication has continued at ICI ever since. With its own head office film unit (now turned into a company operation under the name Milbank Films) ICI has produced a regular flow of employee and company training films. It is increasingly operating as a commercial exercise by selling copies and accepting commissions from other companies.

Within ICI's divisions, other smaller units have been making films too. One at Welwyn Garden City has even been hired off as a totally separate company, called Vision Communications; before the break it produced for ICI a series of video programmes with the theme and title "Minding our own business." That was shortly after a survey, carried out for ICI in 1974, came up with the surprising conclusion that 60 per cent of the public believed that company profits went into the pockets of directors.

The video series was made to spread a better understanding of business among the workforce and was sufficiently successful to justify recent updating in colour. This has now been released commercially through the Shropshire-based

company Training Films International. The series, available in 10 videocassette programmes with tutor's notes, overhead projector transparencies and task exercises, is designed to provide a two-day course for employees—however elementary their knowledge. While it is essentially an exercise addressed to ICI staff, its commercial availability has inspired another company to adapt it for its own use.

Kodak considered the programme to be an ideal package for educating its own workforce and decided to have an additional, introductory, programme made to explain the ICI background. The idea grew and eventually a group of Kodak employees was put through the ICI course and themselves became the subject of an introductory video programme explaining what they thought of the course, how it benefited them and how it had changed their views of the company.

The introductory programme, "Minding our own business—the Kodak view," was subsequently used to sell the idea of the course to other Kodak managers.

The example against which so many other UK employee programmes could be judged is another ICI programme—made in 1977. A working party of employees had been appointed to reappraise the company's profit-sharing scheme and propose a new system. The video programme, based on a studio discussion allowed representatives of the working party to explain why they had come to their conclusions.

Such methods probably go some way to help overcome prejudices. The more conventional approach, such as the company

newsreel, is also becoming popular as an entertaining means of disseminating information. Large employers such as the National Coal Board, British Rail and Richard Thomas and Baldwin (before the latter became part of the British Steel Corporation) were early producers of magazine films aimed at employees. Video has now made the company newsreel a more economic proposition—quick to produce and easy to distribute. The NCB did much pioneering work by sending mobile TV vans to pitheads and making programmes on the spot.

Specialised ideas have emerged, too, such as the weekly video reports on City money markets by Chase Manhattan Bank which are sent back to New York on the day of production. Motor trade accessory distributors Spafax,

British Petroleum is now one of the front-runners with its quarterly video magazine, called "Pipeline." Others bridge the gap between general company news and economic education by producing annual reports on video—useful not only for employees, but also shareholders, investment managers and the general public. Tate and Lyle, the Electricity Council and the Chloride Group are among companies now finding this kind of annual programme valuable.

Films and video programmes can bring an opportunity to tackle issues more openly. Traditional modes of communication inevitably involve some element of editorial management but some video programmes are making their impact by bringing employees in front of the cameras and giving their views and reactions in unscripted and unrestricted interviews.

In a television age it clearly makes sense to use video when employees are conditioned to receive so much information by watching TV at home.

of Box, Somerset, makes a weekly video programme for its sales force. Ford of Europe has been another user of the video magazine idea, specifically for keeping European managers in touch with group activities.

Employees and video programmes can bring an opportunity to tackle issues more openly. Traditional modes of communication inevitably involve some element of editorial management but some video programmes are making their impact by bringing employees in front of the cameras and giving their views and reactions in unscripted and unrestricted interviews.

In a television age it clearly makes sense to use video when employees are conditioned to receive so much information by watching TV at home.

## Technical News

EDITED BY ARTHUR BENNETT AND ALAN CANE

## POLLUTION

## Stops spread of spilled oil

DESPITE THE presence of a bund wall around a drilling site of an exploratory oil well in Poole Harbour, a Skimmer Shoreline Barrier has just been installed there to the requirements of Gas Council (Exploration) and BP Petroleum Developments.

Both companies are engaged in drilling in Goathorn Point, on the south-west side of the harbour whose 10,000 acres of shallow tidal water could be polluted by oil spillage.

Designed by Skimmex Oil Pollution Control Division, 250 Earls Court Road, London SW5 (01-370 3315), cross-section of the boom resembles the end of a club, with the upper circle representing an air-filled buoyancy chamber, and the lower two circles as chambers filled with water on each side of a stalk which represents the chain ballasted skirt.

The boom is supplied in standard 40-foot lengths for connecting together on site; ballast chain at the bottom of the skirt

is also linked together to provide a tension member, and to facilitate anchoring, the lengths of the ballast chain are also linked together to provide a tension member and facilitate boom anchoring.

At high tide the boom's buoyancy chamber floats on water and the skirt acts as a barrier to any floating oil. When the tide ebbs, the water chambers and skirt settle on the muddy sea bottom and create a seal which tends to prevent surface oil from floating out under the boom.

Tests have shown that apart from following the undulating muddy sea bottom, the boom also held water to a depth of about five inches.

Because of the barrier's ability to seal in marshy ground and spartina grass, the company envisages its implementation in estuaries, beaches, rivers, bays, etc., or where there has been no previous method of containing oil in shallow waters. It is also designing a larger exposed beach version.

## COMMUNICATIONS

## Reduces the need for paper

MR. JAY GENTILE, who works for Continental Bank in London, converses with his wife—who is more than 3,500 miles away in Chicago—through the bank's electronic mail system.

Without having this facility to keep in close contact with his wife—for the cost of a local telephone call—Mr. Gentile said that it would be impossible for him to work so far away from home.

However the main use of the bank's system called IRIS mail is to carry electronic memos and reports between offices. A computer based at the bank's headquarters in Chicago stores all messages until the recipients next switch on their computer terminals.

About 3,000 people use the system which has been in operation for the last two to three years. Originally electronic mail was restricted between branches in the Chicago area but became popular that the bank decided link up with European offices.

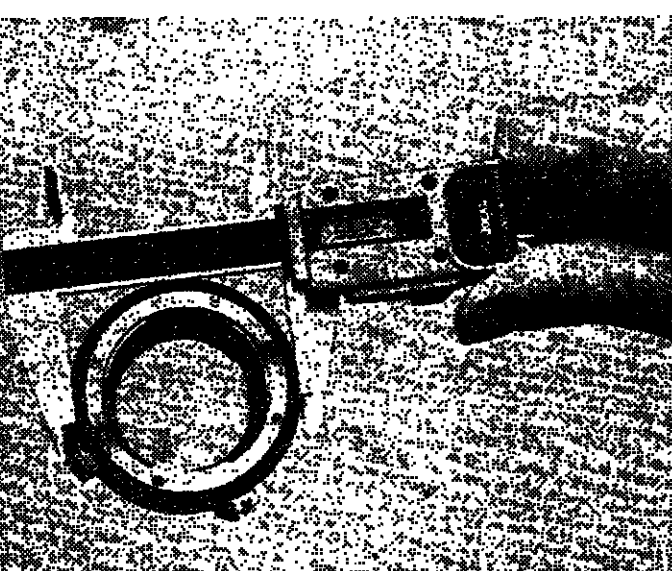
The IRIS system is also connected to the bank's word processing system so that executives can dictate long reports and have them transmitted at a touch of a button to several people simultaneously.

Even if a bank official is away from his office or home he can still use IRIS by taking a small portable terminal which fits into briefcase. All he has to do is dial the computer's number and place the telephone receiver into special socket on the terminal and he can write his report from an hotel room after entering his personal code number.

In addition, the computer is also used to provide detailed statistical information and data about clients accounts. The information is restricted; people are limited to the type of data they can access from the computer's memory.

Some 500,000 pieces of paper were generated everyday by Continental in 1979. The bank says that this is dropping as executives move to electronic

## INSTRUMENTS



## Gauge is easy to read

NOT TOO long ago one of the early tasks of any engineering apprentice was to learn how to read the vernier either on the stem of a caliper gauge or on the barrel of a micrometer.

Probably within a few years the ability to read either will vanish as more and more digital direct reading devices come on to the market.

Latest is from Swedish company C. E. Johansson and is a caliper which the company claims reduces reading time by 50 per cent and the statistical spread of the readings by as much as 80 per cent.

Name of the new instrument is Jocal and it can be zero set

anywhere in the six inch (150 mm) measuring range. This permits the measuring of variations from a reference size, measurement of distance between centres of two identical holes and similar tasks.

Jocal is based on a patented scale/transducer system and a custom-built integrated circuit. Measurements appear on a liquid crystal display with a resolution of 0.01 mm (0.0005 inch). This switches itself off after two minutes and the battery life exceeds 12 months with regular use.

More from 66 High Street, Houghton Regis, Dunstable, Beds. (0582 68181).

## MATERIALS

## Damp-proof membrane

CONCRETE FLOORS and vertical surfaces can be immediately screeded or rendered after the application of a new damp proof membrane, says Colas Products, Galvin Road, Slough (0753 71711).

This is backed with a bitumen adhesive compound which is effective as soon as its silicified release paper is peeled away.

The product is called Bitite and consists of a tough polythene film backed by a 1.5 mm layer of specially formulated adhesive which bonds it to the substrate to provide a uniform membrane thickness, not achievable with brush-applied products, claims the company.

Available in two grades—standard is intended primarily as a damp-proof membrane for solid concrete sub-floors, and the super for applications on vertical surfaces of concrete, brick or masonry—it is also recommended for parking decks, plazas and tanking operations.

## COMPUTING

## Captures financial data

AIMED MAINLY at the banking and building society markets are new financial terminals from NCR, the 2261 which will operate as a stand alone or as a communicating device, and the 2270 which is to supersede the model 2270 introduced at the beginning of the decade.

The 2270 is compatible with the 2270 but has more intelligence and greater programming flexibility. Types of transaction and their screen formats can be stored in the terminal and there are ten function keys that can be programmed differently for each screen format. The unit can operate on line to a computer or as a stand-alone device using a cassette store to hold transaction data. Two printers, to give a journal copy and to print into customer's pass books, are available.

NCR believes the 2270 will be of interest to building society branches needing one, two or three terminals and thus not requiring more expensive modular systems that support more terminals.

## ELECTROCHEMISTRY

## Cleans cooling water

TREATMENTS USING chromates and zinc to inhibit corrosion in cooling water can give rise to pollution problems and laws are beginning to be passed (in Germany and the U.S. for example) preventing their discharge.

According to Betz, alternative corrosion inhibitors have not been entirely satisfactory and the other solution, chromates and zinc, cannot be used in large quantities because of the secondary hazard of toxic sludge disposal.

Following trials at 30 plants in the U.S. the company is now to introduce Dianodic II into the U.K., a system claimed to give results comparable with chromate but without the hazard.

## RESEARCH

## Role of biomass doubtful

IF SOME German estimates are anything to go by, the prospects of worthwhile amounts of alcohol being produced in Europe, following in the footsteps of Brazil and the U.S. (where "Gasohol," a petroleum alcohol mixture is on sale), do seem rather remote.

Work at the Julius Nuclear Research Establishment indicates that even if the photosynthesis efficiency of crops grown is put at a rather high figure (for northern Europe) of 3 per cent, it would be necessary to sow "energy plants" over an area of 1.5 times that of the

## PROCESSING

## Self-clean water filters

NO ELECTRICITY is required to operate a new range of self-cleaning water filters introduced to the UK by Micro-Mesh Engineering, 51 Basford Road, Nottingham (0602 786348).

Operated by water pressure, the Filomats are cold water units for installation in systems carrying water at temperatures up to 60°C, working pressures from 2 kg/cm<sup>2</sup> and handling flow capacities from 25 to 600 cubic metres an hour.

Water to be cleaned enters the unit under pressure and passes through the coarse grid which removes the larger particles. It then passes through a fine screen designed to the needs of the user, and as solids

## HANDLING

## Tail lift stows away

A COMPANY which specialises in the processing of animal by-products, Special Pack of Work-spak, has fitted the first Primrose tail lift, able to be stowed behind the rear doors of panel vans, designed by PTH (Clitheroe), Ewood, Blackburn, Lancs (0254 55031).

The fold-up platform hangs from the bottom of a frame which is attached at the top by short side-swinging arms to the runners of the tail lift. These arms act as a parallel link motion in a horizontal plane.

When the platform is stowed vertically after use, a pin can be removed to allow the



KACEL INVERTER  
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TELEKING LIMITED  
CHAM CON/LONDON 888941

accumulate on the screen they cause a loss in water pressure which, at a pre-set level, automatically opens a valve and activates the backwash cleaning mechanism.

This mechanism consists of a rotating hydraulic motor and suction fins which wash off the deposit clogging the screen and discharge it from the filter. During the cleaning cycle, the Filomat continues to filter.

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When the platform is stowed vertically after use, a pin can be removed to allow the

parallel-link arm to swing back, bringing the lift-platform and its frame inside the doorway. Rear doors can then be closed.

Lift platform is 3 ft long and 3 ft 9 ins wide, with a 9 in long lead-on ramp.

Before being fitted with a tail lift, the van (supplied by Fiat dealer J. O. Andrew of Sheffield) was sent to the Padsey works of GRP Products for interior lining and insulation with slabs of expanded polyurethane foam on sides, roof and floor, to a thickness varying between 2 and 3 ins behind a lining of glass-reinforced plastics laminated in situ.

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## THE PROPERTY MARKET BY MICHAEL CASSELL

## PAG 'gloom' rejected

THE British Property Federation has flatly rejected some of the gloomier predictions for the industry which were contained in the controversial report published earlier in the year by the Property Advisory Group.

The Group, which draws some of its 12-man panel from the development industry, sent a few hearts pounding and most property shares falling with predictions that property was in for a tough time. It suggested that, beyond the current recession, an increase in demand for space overall was unlikely and that rental growth would be weak.

According to the Group, new development would be much reduced and there could be relatively little demand for fresh office development as more and more emphasis was placed on refurbishment.

While the Federation says that it agrees with many of the PAG's conclusions, it draws the line at suggestions that demand for new office space will be substantially diminished and starts by pointing out that the forecast of a deep and prolonged recession evinces little faith in the success of the government's anti-inflationary measures.

The Federation does not, however, go as far as to register its own conviction that the government's strategy will work and confines itself to tackling the logic behind the Group's prediction that demand for new space will drop.

It claims the threat of the PAG's argument—that a reappraisal of accommodation needs in the light of technical development and rising travel and energy costs may lead to relatively little demand for fresh office development—is difficult to follow.

The Federation accepts that office occupiers will, as the report suggests, reappraise their requirements but concludes that the need to reap the benefits of technological advances and to provide the working conditions now sought by staff will result in greater demand for modern space and, hence, new buildings.

In a polite attempt to explain what it sees as a bit of muddled thinking on the part of the PAG, the Federation suggests that the prediction of reduced demand was based on evidence submitted as long ago as early 1979, when it was fair to assume that new building costs were so much higher than those involved in refurbishment that modernisation would almost invariably be chosen.

The Federation emphasises, however, that the cost of refurbishment has risen dramatically in the past 18 months, while the rental values of new buildings have also increased to the extent that in some areas it is now sometimes better to demolish and redevelop rather than refurbish.

According to the Federation, while the balance of advantage will not always lie in redevelopment, a couple of essential points remain: there are physical limitations on what

can be done to modernise some office buildings and the cost gap between refurbishment and redevelopment has narrowed.

In its response to the PAG document, the Federation goes on to predict that as British business begins to recover and if it is to remain competitive, then new office buildings will be necessary to replace those which cannot effectively or economically be modernised. Moreover, foreign business seeking office space in London will be looking for new buildings. If the supply cannot meet the demand, these businesses will look elsewhere to the detriment of those locations established as financial and service centres.

The Federation boldly comments: "The shift of emphasis to micro-processors will not lead to a reduction in the demand for office space but rather for a changed pattern for high-class, new office buildings in prime locations, especially in London and the south-east."

But if all the parties involved so far fail to agree on the likely outcome of the reappraisal of office requirements, there is comfort to be derived from the general acceptance that much more detailed thought needs to be given to the nature and scale of future tenant needs.

The Federation says better market research generally is of particular importance for the industry and admits that it has become increasingly aware of the lack of relevant statistical information on many aspects of the development sector.

## Sir Keith gives a helping hand

SIGNIFICANT changes in the application of Industrial Development Certificates, which will ease the planning problems associated with industrial estate development, are being introduced by the Department of Industry.

Sir Keith Joseph, Secretary for Industry, has announced in a House of Commons written reply that he intends to remove anomalies involving IDC controls which have discriminated between developments undertaken for individual occupiers and those involving factories for rent on industrial estates.

Sir Keith, who last July raised the exemption limits for IDCs from the 12,500 sq ft ceiling then applicable in most parts of the country to a nationwide figure of 50,000 sq ft, said he was satisfied that his action had been helpful—particularly in respect of companies wishing to build their own factories.

But the Minister acknowledged that IDCs could still be required for factories of a size below the exemption limit located on industrial estates. The position has been that while an intending occupier up to 50,000 sq ft without seeking an IDC to support a planning application, smaller individual units to rent on an estate whose overall size exceeds the exemption limit have been subject to IDC

approval before planning consent can be sought.

In order to obtain IDC clearance, the developer has had to identify the tenants for his scheme, excluding any larger-scale speculative industrial developments (there were exceptions involving the replacement of obsolete factories, inner London partnership areas and New Towns).

Sir Keith now intends, however, to make IDCs generally available to both private developers and local authorities to enable estates to be developed with individual factory units of up to 50,000 square feet. Certificates for such industrial estates will be subject to two conditions, namely that no one company can occupy more than 50,000 square feet and that no part of the development may be occupied by a tenant from an assisted area. No pre-lets will be required.

The news should clearly be welcomed by developers who are likely to echo the first thoughts of Frank Eul, a partner with agents Debenham Tewson and Chinnocks. "This decision removes a significant anomaly from IDC legislation. It has been inconsistent allowing any number of individual companies scope to develop their own premises up to the 50,000 sq ft exemption limit without applying a similar allowance to those leasing space in a major industrial development."

## City demand is steady

THE WEAKENING economic situation has not been reflected in the take-up of space in the City of London, according to agents Richard Ellis.

In a report on market trends in the second quarter of 1980, Ellis's research department says that steady demand for City office space recorded in the first three months of the year continued until the end of June.

According to the agents, the total space taken up reached 781,000 sq ft—the same level achieved in the previous quarter, with one-third of the space in question going under offer in new developments. In the main financial area of the City (EC2) take-up reached 280,000 sq ft and approached 180,000 sq ft in EC3, the heart of the insurance district.

Ellis says the strength of demand was illustrated by a high market turnover, particularly for new development space. Take-up in relation to the availability of space (as high as 43 per cent in EC1) was greater than in 1979. Demand remains subdued, however, in EC4.

Rents have continued to rise, although the rate of increase has generally eased. Prime air-conditioned space is quoted at £18-£20 a sq ft at the start of 1980 and, says Ellis, this growth may well be maintained.

Scottish Amicable Life Assurance, which recently acquired the freehold of 47, Berkeley Square, W1, have let the second floor to Fuji-sawa Pharmaceutical at a rent of £16 a sq ft.

## IN BRIEF

HUNTING GATE is to undertake a 100,000 sq ft office-warehouse redevelopment scheme on the Foundry Lane industrial estate at Horsham, Sussex. Phase One of the 24m-plus project will provide about 50,000 sq ft of office space which has been pre-let to Allied Implant Technology of California. The first unit will be ready in July 1981 and the whole of phase one is to be purchased on completion by Hambro Life Assurance. Letting agents for the 45,000 sq ft in phase two are King and Co. and White Over.

W. E. Chivers Holdings has been selected by Restormel borough council to finalise plans for the £3m redevelopment of St. Austell town centre. The developers beat Trafalgar House and Taylor Woodrow Properties to win the scheme and work should begin in early 1981 with units ready for letting in 1982. Lalonde Brothers and Parham acted for W. E. Chivers.

CEMP Properties (UK) a subsidiary of CEMP International Property Investment of Montreal, is thought to have paid over £2m for the freehold of 26/27, Brunswick St., London W1. The 64,000 sq ft building has been sold with vacant possession, with the exception of one shop unit currently leased out. Debenham Tewson and Chinnocks acted for the unnamed vendors and have been retained by CEMP who are "formulating their proposals for the property."

Apex House, an 18,000 sq ft office building at Northfleet, Kent, has been sold by Cannon Assurance for a figure ap-

proaching £600,000 to Peachey Property Corporation. The property is let in its entirety to Apex Construction and produces a current annual income of £45,000. Conrad Rutbat acted for Cannon and Redwell & Harris represented Peachey.

Asda Securities has paid over £400,000 for the freehold of 317-321 Fulham Road, London SW10, comprising three ground-floor shop units, 2,450 sq ft of offices and six self-contained flats. Current income of about £400,000 a year is due to rise substantially because of reviews. Asda and Debenham Tewson & Chinnocks represented the vendors.

Willment-Lescren Developments have acquired the former Port of Bristol Authority headquarters in Queen Square, Bristol, and intend to develop 40,000 sq ft of office space. The scheme should be finished at the end of 1981 and is being funded by the Merchant Navy Officers pension fund who were advised by St. Quintin. Stanley Alder & Price acted for Willment in the sale of the investment at a sum in the region of £2.2m.

Royal Insurance is funding at a cost of £300,000 the purchase and construction of a new 16,000 sq. ft. warehouse on a 1.1 acre site at Carrwood Road industrial estate, Chesterfield. The warehouse has been pre-let on a 25-year lease at an initial rent of £25,000 a year. Royal was represented by St. Quintin.

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10  
LOMBARD

# OPEC piles up sterling

BY DAVID MARSH

MRS. THATCHER should take advantage of the settlement of the dispute with Saudi Arabia over "Death of a Princess" by asking one of her Treasury ministers to add a swift Middle East foray to his Mediterranean holiday. A trip to Riyadh and one of two other Arab capitals is sorely needed to avert the risk of a discomfiting flare-up over the large volumes of sterling piling up in OPEC coffers.

The Prime Minister dislikes the idea both of borrowing abroad and of kowtowing to foreign potentates. Any proposal reminiscent of previous Treasury attempts to chase after Middle East oil money (remember Tony Barber's St. Moritz courtship of the Shah back in January, 1974) is not likely to go down too well in Downing Street.

But the Government should be worried at the undoubtedly risk to its monetary policies created by the increasing amount of short-term sterling assets being built up in the hands of OPEC institutions.

So it should consider a suggestion for defusing the danger: to persuade the oil exporters to exchange their short-term holdings of sterling deposits, Treasury bills and gilt-edged stock for individual long-term loans to Her Majesty's Government.

Consolidation of the debt—perhaps by offering OPEC investors a special sterling bond issue with reduced negotiability but with a preferential rate of interest—might require a large-scale sales effort in view of OPEC's penchant for short-term investments (especially where the pound is concerned).

## Dubious

But the scheme would have several advantages. It would give a generous amount of long-term Government funding from foreign sources without actually adding to upward pressure on the pound. This would make both the foreign exchanges and the gilt-edged market less jittery about the overhangs of volatile foreign holdings (and about the likelihood of a recession-induced increase in public sector borrowing).

And it would help resolve the policy mess over the resurgent currency role of the pound. Both the Treasury and the Bank of England are show-

ing distinct signs of acute schizophrenia on where they stand. On the one hand, the official line is that the pound's history as an important reserve currency came to an end with the international agreements patched together after the 1976 sterling crisis. These restricted foreign central banks' sterling holdings to "working balances" only—a limitation which they are still observing, but only if you believe the highly dubious figures compiled by the Bank of England.

On the other hand, the authorities have provided a fair amount of informal encouragement for big reserve holders to diversify reserves into sterling. Mr. Gordon Richardson, the Bank of England Governor, himself remarked last summer that the proportion of the world's currency reserves held in dollars would almost inevitably fall.

## No slouch

And the Bank itself has been no slouch at the diversification game. Nearly 30 per cent or roughly \$500 billion of the UK's foreign exchange reserves is now believed to be in non-dollar currencies.

The Bank's information that the official sterling reserves of the oil states have increased by only £800m during the 15 months to the end of March is plainly a very substantial under-estimate. It ignores the large holdings amassed by the plethora of quasi-official institutions and individuals which in practice hold the bulk of OPEC's reserves.

Indeed, another set of Bank figures reveals that the total build-up of identified sterling investments by the oil states during that period came to £200m—and that excludes the large amounts which have entered London via intermediaries, or which have been placed directly on the Euro-sterling market.

Self-promotion is hardly the Treasury's strongest point. Perhaps it would indeed be a tall order to persuade canny gilt investors that sterling was a better long-term bet than the yen or D-Mark. But at least a Middle East mission could gather sufficient insight into OPEC investment habits to make a start on reforming the Bank of England statistics.

6.20 Sportsworld.  
6.35 Encounters with Animals.  
7.25 "The Awakening Land."  
9.00 News.  
9.25 Starsky and Hutch.  
10.15 Didn't Know You Cared (London and South East).  
10.45 Regional, National News.  
10.50 1980 World Professional Dances Championships.  
11.15 The Late Film: "Angels One-Five," starring Jack Hawkins.  
All Regions as BBC1 except as follows:  
BBC Cymru/Wales—12.50 pm Lliw Dyffryn Lliw. 1.25-1.45 Bys a Bawd. 4.45-5.05 Lladron Donaw Pennod. 6.55 Wales Today. 6.20 Cartoon. 6.30-6.35 Newyddion.  
10.15 Valentine's Night. 10.55 News for Wales. 11.05-12.30 am The Late Film: "Goodbye Mr. Chips," starring Robert Donat.  
Scotland—1.25-1.30 pm The

# Island flower power

BY WILLA OWEN

JERSEY STAGED its national carnival, the Battle of Flowers, yesterday, to the cheers of some 60,000 spectators—among them holidaymakers who regularly attend what is recognised as one of the most colourful and extravagant spectacles in Europe.

Already, the organisers are beginning to count the cost of this year's event—estimated at £150,000 as against £83,000 in 1979. But before long they will be turning their minds to next year and the 30th anniversary of the festival's revival.

For despite fears that it is beginning to take up too much time and money, everyone agrees that Jersey without its "Battle" would be unthinkable.

The carnival is the island's greatest tourist attraction. Tourist chief Clarence Dupre, a Deputy—its equivalent of MP—says his committee has increased its sponsorship pitfall year from £25,000 to £30,000.

Quite apart from projecting Jersey as a sunny, carefree holiday island, the Battle of Flowers promotes a community that would be hard to beat in spirit among local residents in any other area of the British Isles.

Creating a giant float about 45 ft long to exhibit in the class for 12 island parishes is a social activity all year round for any parish that takes it on. It involves people from all walks of life and of all ages. Children from eight onwards join in, while elderly residents who are

not able to get about easily work on costumes and other accessories at home.

Exhibits have reached a high standard, particularly among the 32 or so flower-decorated floats that are always the biggest thrill of the 11-mile parade. Costumes are elaborate, and sophisticated themes are carried through by business houses, local sporting clubs and associations—most of them regular competitors—by individuals and by the parishes.



"The Year of the Dragon," "All the World Loves a Clown," "Bed and Breakfast," "That's Entertainment," are some of the eye-catchers of recent years.

Says Deputy Tony Perkins, who heads the Battle of Flowers committee for his parish, St. Clement: "The standard is so good that a new exhibitor is likely to find it discouraging." Clement, which carried off the coveted Prix D'Honneur trophy three years running, started late on its gypsy theme, "Romany Ways" for 1980. This was because the parish had

decided at first not to enter since the designer (always a key figure) felt it was time he had a summer holiday. Fortunately, a young art student was willing to take over.

Parish volunteers carried out a door-to-door appeal for funds, and with £1,000 raised, work on the exhibit began. Mr. Perkins reckons that although St. Clement's late start meant flowers had to be imported, their float cost less than £2,700 for last year's prize-winner. Not a penny has ever been spent on labour.

Normally, themes are decided in January so that the flowers can be sown in February. Over 100,000 blooms are needed to construct one of the giant floats. Parishes rely on the goodwill of farmers for the loan of fields for growing their blooms, and on business concerns to provide sheds large enough to construct exhibits in.

The framework usually requires the voluntary skills of a welder and a couple of carpenters. A team of around 50 glues the blooms on to the float. Tiny hares' tails form the basis of many exhibits; thousands of them have to be picked, dried and spun-dried.

Other flowers such as chrysanthemums, carnations, dahlias, all grown according to the float colour scheme, are glued on as the big day approaches. In St. Clement, 20 senior citizens rally round to strip stems and greenery, while another 10 parishioners keep the whole

party supplied with refreshments.

Pressure on the float-builders to get their exhibit finished in time can be gruelling on the day before the "Battle." Teams often start early and work right round the clock until the following morning. Afterwards, weary but undaunted workers sometimes round off the "Battle" with a celebration dinner, followed a few days later by a reception for all those who have contributed their time and effort.

The Jersey Battle of Flowers started in 1902 as part of the festivities to mark the coronation of King Edward VII and Queen Alexandra, but was discontinued during the First World War.

From 1925 to 1938 it was held

at Springfield, north of St. Helier, but returned to its original venue of Victoria Avenue on the town's sea-front when it was revived in 1951.

Before 1964 the battle was real enough, with the crowd pelting each other with flowers and the floats getting stripped of their blooms. But too much of a rough house developed, and now the exhibits are kept intact and on display afterwards.

Setting up the stands in the Victoria Avenue arena is the most costly single item—it has gone up from £63,000 in 1979 to about £70,000 this year. Seat prices have been increased accordingly. Best stand seats yesterday were £10 and pavement seating £3.50.

A visiting showbiz celebrity to ride with "Miss Battle of

Flowers," the annually chosen beauty queen who must be island-born, bands, clowns, "big heads" and majorettes are now all part of the carnival pageant.

But it is the heart of the Battle of Flowers. For this reason, although cash prizes are nominal, every competitor is underwritten. Guarantees range from £2,000 for the big floats down to a pound or two for children competing in fancy dress.

As costs continue to rise, it is always a question whether next year's event will manage to avoid a loss. But with the spirit of festa, and with newsmen, photographers and TV cameras men giving world-wide coverage, the "Battle" remains irreplaceable.

Jersey's carnival day—the Battle of Flowers

# Newbury card provides variety

DESPITE the fact that three of the six races on today's Newbury card had to be badly let down by the Berkshire course could be well worth a visit.

The £22,000 Hungerford Stakes is supported by the St. Hugh's Stakes and there is an intriguing race for the Playbox Bookmakers Frenchie Nicholson Appreciation Stakes. This is

the further attraction of Kithy-hawk's reappearance.

A year ago Skyliner surprised with his win in the Hungerford and he will again be at attractive odds. This is because of disappointing recent efforts and a stronger field than last year's for the Group 3 event. Sky-

liner may go better than his price will suggest, but Hard Fought, representing Jil-had Stoute instead of Surriay's French rider, Final Straw, looks the pick.

Hard Fought, by Habitat out of Heilbert's half-sister, Ambrosia, put up two smart winning efforts this season before finishing fifth in the mud when beaten by Moreenoreilly in the William Hill July Cup.

With an additional furlong to cover at Newbury, and ground more to his liking, Lester Piggott's mount can outpace Kampala whom he meets on 9 Friday. Matinee will see the Frenchie Nicholson's contribution to racing has been recognised with a race in his honour. He was responsible for many fine riders.

The Nicholson event, a mile handicap on the round course, sees jockeys Pat Eddery, Paul

Cook and Tony Murray in action. These, and one or two others in the race are all former ponies of the Nicholson "riding academy."

In the 3.30 Marwell looks the pick in the St. Hugh's Stakes. Kithy-hawk is given a confident vote in the Sparsholt Fillies Stakes—despite the presence of 26 opponents, but for Tolmi's presence at Ascot, on July 26. Kithy-hawk would have been one of the earliest winners of the Princess Margaret Stakes.

## NEWBURY

2.00—Painting Light  
2.30—Sandford Boy\*\*  
3.00—Hard Fought  
3.30—Marwell  
4.00—Kithy-hawk\*\*  
4.30—Prow\*

HTV Cymru/Wales—As HTV West: HTV Cymru Service except—11.55 am Cw Cwco. 1.20 pm Penafawr Newyddion Y Dydd. 1.25 Report Wales. 4.15 Y Dydd. 6.15 Report Wales. 10.35 Preview.

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9.30 am The Story of Wine. 10.00 am The Story of Wine. 10.30 am The Story of Wine. 11.00 am The Story of Wine. 11.30 am The Story of Wine. 12.00 pm The Story of Wine. 12.30 pm The Story of Wine. 1.00 pm The Story of Wine. 1.30 pm The Story of Wine. 2.00 pm The Story of Wine. 2.30 pm The Story of Wine. 3.00 pm The Story of Wine. 3.30 pm The Story of Wine. 4.00 pm The Story of Wine. 4.30 pm The Story of Wine. 5.00 pm The Story of Wine. 5.30 pm The Story of Wine. 6.00 pm The Story of Wine. 6.30 pm The Story of Wine. 7.00 pm The Story of Wine. 7.30 pm The Story of Wine. 8.00 pm The Story of Wine. 8.30 pm The Story of Wine. 9.00 pm The Story of Wine. 9.30 pm The Story of Wine. 10.00 pm The Story of Wine. 10.30 pm The Story of Wine. 11.00 pm The Story of Wine. 11.30 pm The Story of Wine. 12.00 pm The Story of Wine. 12.30 pm The Story of Wine. 1.00 pm The Story of Wine. 1.30 pm The Story of Wine. 2.00 pm The Story of Wine. 2.30 pm The Story of Wine. 3.00 pm The Story of Wine. 3.30 pm The 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## THE ARTS

## Cinema

## Taking the consequences

by NIGEL ANDREWS

**The Consequence (X)**  
Gate May Fair and Gate Notting Hill  
**Caddyshack (AA)**  
Warner West End and Columbia  
**Roberto Rossellini**  
Edinburgh Film Festival

Listen for the sound of shattering glass if you are near Berkeley Square. It will be a champagne bottle smashing against the side of a newly launched London cinema. The Gate May Fair is the name and it lurks deep in the bowels of the Mayfair Hotel, where once the Starlight Cinema Club held sway, entertaining us nightly with high-tinsel relics of old Hollywood. David and Barbara Stone, who run the Gate Notting Hill and the Gate Two Bloomsbury, are the duo who have taken over and renamed the place; spreading their empire deeper into the West End and transforming this 30-odd seater into a first-run cinema.

Never mind that the Gate May Fair gets off to a rather bloopy start this week with its first presentation, a German film called *The Consequence*. You have to take the rough with the smooth in the Stones' choice of

movies, as devotees of the other Gates will doubtless know. It's a by-product of their high-adventure programming. While other London art cinemas have trundled on in recent years dispensing the staid and the stoic, the Stones have given us everything from Oshima's *Empire of the Senses* to Woody Allen's *Annie Hall* and introduced to Britain the likes of Wim Wenders and R. W. Fassbinder.

I doubt if Wolfgang Petersen, director of *The Consequence*, will follow in the footsteps of Herr F and Herr W, but at least his subject gets an A for Adventurousness. It's the tale of two homosexuals, a young actor serving a prison sentence and the prison warden's son with whom he strikes up an improbably-plotted affair. Coal emours are followed by romance in the harsh world outside, when the actor is released. Can the bedevilled duo withstand the pressures of parental disapproval (the warden has his erring son shipped off to a remand home), of VIP corruption (when the boy escapes to Switzerland and a nasty politician promises to get him work papers in return for sexual services rendered) and of a script slaloming ever more soap-

operatically from one romantic crisis to the next?

Only change the lead players from Jurgen Prochnow and Ernst Hannawald to Rock Hudson and Jane Wyman and you'd have the kind of ur-Hollywood *suppa inless* of frothing sentiment that used to crowd up the screen when the Gate May Fair was the Starlight Cinema Club. A daring and "modern" theme is not, though Petersen clearly hopes that it is, the same as a daring and modern movie; and *The Consequence* is not helped by lugubrious acting and even more lugubrious black-and-white photography.

But fear not. These are but teething troubles, if the Stones' track record as exhibitors is to be trusted. Keep watching the Gate May Fair and Damascene revelations are sure to ensue.

*Caddyshack* is a 90-minute shaggy-golfer story six-ironing its way across the Atlantic from the heart of country-club America. Or you might say shaggy-golfer story. These burrowing, fairway-wrecking rodents, drooly-puppetised, keep popping their heads up from the ground, swivelling their beady eyes, wiggling their hips in time to the soundtrack music, and

generally stealing the comedy from the humans.

Cheryl Chase (of *Foul Play*) and Bill Murray (of *Meatballs*) spearhead the latter, as this thinly plotted potpourri of sporting jests and madcap moments spreads even more confusedly across the screen. Chase is the Club wit and Chastaine issuing words of wisdom to the young caddy (Michael O'Keefe) whose dreams of becoming a top golfer make up what little story-impetus there is, and Murray is the dishevelled course groundsman, seedy Vin to Chase's spick-and-span Yang and prone to demented dialogues with the gophers whom he is trying to destroy. It's all a fervently chaotic mess, like a "Laugh-in" episode with elephantiasis, that's occasionally prodded into purposefulness by an extended sketch or another moment *ballistique* from the gophers. There are also the all-too-brief eruptions of Mr. Rodney Dangerfield, an American TV and nightclub comic who here plays the Club's resident man-you-love-to-hate: a fidgety, foghorn-voiced boor, clad in ghashy golfer's motley, who moves through the Club dining-room like Attila the Hun, routing the troops and sets a course record for insulting the most people in the shortest possible time.

The ICA celebrates Roberto Rossellini this month with a three-week retrospective. This strange, towering giant of post-war Italian cinema, whose work is Shakespearean both in its range and in its elusiveness of identity, is represented by nine movies that span 30 years of his career, from the early neo-realism of *Roma Open City* and *Paisa* to the TV historical "biopics" (*Blaise Pascal*, *Italy Year One*...) that he turned out in the 1960s and 1970.

Midway between the two stands his Ingrid Bergman period, the films he made in the early 1950s with his then wife, of which two examples, *Voyage to Italy* and *Stromboli*, are dusted off here for an all-too-rare screening. They show in a daily double-bill throughout the season while the other films receive mostly single-day performances. You should certainly roll up to look at that cinematic connoisseur *Voyage to Italy*. The recent history of this screen-shy film has been like pig-in-the-middle; with "for" and "against"

critical factions tossing the film back and forth and arguing over its merits, while the poor non-aligned moviegoer stands in the middle unable to get a touch or a glimpse of the film as it whizzes over his head.

Well, here at last it is in the celluloid flesh, courtesy of the British Film Institute. Bergman and George Sanders are the stars, an English couple holidaying in Italy while their marriage disintegrates. It's a curious, limpid, wonderful film, tilting at banality in its homely dialogue and plain staging, but with sudden shudders of insight and shafts of wisdom as Rossellini builds a counterpoint between the Italian landscape—the streets, the valleys, the mandatory tourist ruins—and the inner landscape of his characters.

This year's Edinburgh Film Festival, which opens on August 17, will be the last under the directorship of Lynda Myles. This eclectic, evangelistic and heretically enthusiastic film-lover has transformed what used to be a dour journey North for one's artistic health into an event bubbling with life and hospitality and echoing to the sound of crashing cinematic prejudices. (Sometimes new ones go up in their place, but at least in debate-hungry Edinburgh they can be challenged and argued over.)

In addition Miss Myles performs an annual loaves-and-fishes miracle with the tiny budget extended to the festival each year. Not only does she conjure up a seemingly impossible number of films from all parts of the globe, but she also conjures up the directors who made them and ever and anon parties to entertain the same and us.

This year's programme of films is typically wide-ranging from Hong Kong thrillers to feminist documentaries, from vintage Hollywood revivals to Roman Polanski's brand-new *Tess*—and there are also special events devoted to American B-feature director Joseph H. Lewis, to the work of the National Film Archive, to Scottish film-maker John Mackenzie and to Miss Myles herself. She has made a selection of favourite films from past festivals to commemorate her last Edinburgh year.

## Olivier

## The Life of Galileo

by B. A. YOUNG

*Galileo* is a curiously un-Brechtian piece. It was written in 1938, when he was a refugee in Denmark, and he himself said of it that "technically it is a big step backward." The alienation techniques we are supposed to look out for are restrained, so long as you regard the play simply as a dramatic account of the career of Galileo, who overthrew accepted notions of the universe with his observations through the telescope that he did not invent, then under the threat of torture from the Inquisition recanted all his discoveries.

It is, however, under the surface an account of something different, of the politics of his own time, and can be said to be alienation from start to finish: the "error" of identifying with the characters on stage, which alienation is supposed to avoid, is itself avoided when the characters are not precisely whom they seem to be. John Dexter, who directs this outstandingly good production, clearly understands that there is as much of Bertolt Brecht as of Galileo Galilei in the main character; but while the story and the individuality are ascribed to the historical Galileo, it is possible to play them with a full charge of sentiment.

John Dexter's production has a breadth that suggests the great expansion of human knowledge that Galileo's discoveries began. There is a plain circular stage behind which, when the lights go up, are some quasi-astronomical metal designs by Jocelyn Herbert; at once, a truck rolls on bearing Galileo's study in Padua, while high on one side a small boys' chorus sing the first of Eisler's songs that introduce the scenes. Complex scenes use the truck, simpler scenes are set on the stage, which can be approached from any direction; atmosphere, rather than scenery, is provided by small screens bearing drawings of the old cities where the action lies—Padua, Venice, Florence, Rome.

Galileo is played by Michael Gambon in the biggest, and certainly the best, performance I have seen him give. He drives him with a divine impatience, eager for the next experiment, the next lesson, the next meal; and when the Inquisition puts his teachings on the Index his eight years' obedient silence is always on the verge of disobedience. Only after he has to have come—these are



Michael Gambon

been compelled to recant by the threat of physical torture does he seem to have given way, though his fleshly appetites are as strong as ever; yet just as he was secretly studying sunspots during his first silence, so he was secretly writing his *Discorsi* during the second, and Mr. Gambon gives him a marvelously sly manner as he quietly hands them over to his old pupil Andrea Sarti (Michael Thomas) before embarking on the splendid, and splendidly-spoken, long speech of self-accusation.

The production is full of highly dramatic moments such as one doesn't often get in Brecht. Galileo's first, silent encounter with the Cardinal Inquisitor in his red robes; the exchange of quotations from the Book of Proverbs with Cardinal Barberini (who becomes Pope Urban VIII and gives Galileo a false hope of liberated scholar-ship); the dialogue between the Pope (turning from a little man into an omnipotent force as he is garbed in his vestments) and the Inquisitor; the sight of Galileo's daughter Virginia praying for his recantation, and her sudden joy as she believes obedience. Only after he has to have come—these are

beautifully staged and beautifully played. Barberini is well done with a kind of quizzical dignity by Basil Henson, and Stephen Moore's Inquisitor is splendid as he pleads with the Pope—himself a mathematician to condemn Galileo's work. Brecht wrote in 1939 that the play contained no topical allusions to Germany or Italy, but in fact it abounds with them, lightly disguised as they are. "Be careful when you go through Germany with the truth under your coat," Galileo warns Sarti as he smuggles the *Discorsi* over the border.

But the theme is broader than this; it is about the suppression of truth, and the proper use of learning. There is a hint of the nuclear bomb. And as Sarti takes the *Discorsi* into Italy, he turns back to a boy who has asked him if witches can fly: "One cannot fly through the air on a broomstick. It must at least have a machine on it, and there is no such machine. . . . We are only at the beginning." I am not quoting Howard Brenton's excellent translation, but that is the sense of it.



Bill Murray in 'Caddyshack'

## Coliseum

## The Damnation of Faust

by RONALD CRICHTON

The "dramatic legend" Berlioz made out of Goethe's *Faust* has proved irresistible to treacherous material for opera directors. But now that the composer's real operas are more widely known, the enlargement of the operatic repertoire in this country, fastening on *Benvenuto Cellini* and *Les Troyens*, for the most part, left *The Damnation of Faust* alone. A notable exception was Michael Gelliot's staging in 1989 for the English National Opera, revived at the Coliseum on Wednesday after a brief postponement for reasons of "great technical complexity." The original producer was in charge, Diego Masson conducted.

Those who saw the production or the first revival will remember the setting by Wilfried Minks, a carved Gothic surround framing two sets of revolving mirror-panels, separated by a prominent two-tiered inner stage or "mansion," chiefly used to keep soloists out of the whirl of general activity. On to the mirror-panels are flashed a series of projections more or less apposite—details from German painting and wood sculpture, flowers, horses, a nude girl swimming, and so on.

The general effect, if you sit back and let it roll past, is handsome, but one has an uneasy feeling that deeper levels of reaction are intended to be stirred.

Among the glories of this score are the transition passages for orchestra, moving not at the speed of clumsy human hands or mechanical devices but at the speed of a poet's thought. The kind of staging devised by Mr. Gelliot and Mr. Minks is more likely to succeed here than most, yet one has seldom been so little conscious of the finesse with which Berlioz moves, for example, from Faust's study to Auerbach's cellar and thence to the banks of the Elbe. There are other kinds of visual distraction too—does it really help the irony of the Easter chorus if we see a potted Passion play elaborately mimed on stage plus (extra layer of irony) a Pope carried in procession?

There seems to be more flying than before: Faust dives from his perch during the Ride to the Abyss, a Marguerite-figure is hauled heavenwards at the very end, like Peter Pan in a

long nightie. These details need reconsidering, and other simple points which go for little, like Faust's affectionate examination of Marguerite's room (underlit on Wednesday) are worth pointing up. On the whole, some unhappy moments in the Hungarian March excepted, the effects worked pretty well and everything, including the costumes by Anneta Stubbs, looked bright as new.

Diego Masson's conducting made an excellent impression (he is musical director at the Marseilles Opera and an old associate of Boulez). He is not the kind for the elegance and rhythmic vitality of Beecham or the grand, imaginative sweep of Munch, but the performance was finely controlled, the playing high-class, and the climax of the Ride put to shame the feeble bat-wing horrors on the stage. The chorus, much moved about, was in good but not outstanding form—loss of pitch was understandable in the damp heat.

Apart from the orchestral playing and the general if unequal interest of the production, the performance is worth seeing for the Marguerite of Felicity Palmer. This soprano's voice

and personality sit as naturally in the Coliseum as Crespino's used to in the Paris Opéra. She achieved both a broad, definite outline and extreme musical intelligence in particular things like the passing from voice to solo viola of the melody of the King of Thulé ballad. For the marvellous Romance in the second part Miss Palmer lacks the instrumental timbre for the low notes in the opening phrase—the middle section which worries many interpreters was admirably done.

The Mephistopheles of Richard Van Allan, convincingly shown as a seedy, rapacious alter ego to Faust, was wholly effective in sardonic conversational exchanges, but disappointing in "Voici des roses," where legato singing is essential. John Treleaven's Faust began promisingly but the voice thinned out in the middle of the opera—he still sang smoothly and clearly but his rejuvenated Faust was a negative figure, unlikely to arouse sympathy. Roderick Earle's Brander was good—the character is fated to be soon forgotten.

## Elizabeth Hall

## Laredo &amp; Kalichstein

The happy-go-lucky approach to much of the music-making during the South Bank Summer may sometimes produce memorable, uniquely fresh performances, but brings with it complementary problems. The gamble of working with ad hoc chamber groups relies heavily on finding a leader—first violinist or pianist—ready and able to take on the interpretative and to drive the music forward when collective will falters. For Wednesday's programme of piano trios and a quintet first violin (Jaime Laredo) and pianist (Joseph Kalichstein) remained constant through the evening, but even at the end of the concert it was difficult to decide who had taken charge.

In Haydn's E major trio, H. XV no. 28, Mr Laredo could have been forgiven for assuming that the piano would take the dominant role: little of thematic importance is trusted to the strings, and in the central passacaglia—a masterpiece between blameless allegros—the first half of the movement is given to the piano alone. But Mr Kalichstein appeared anxious not to offend, deliberately playing down dynamic contrasts and never going out of his way to find individual, imaginative phrasing. Only when the cellist

Sharon Robinson took over the passacaglia did it make anything like its full impact, and in the Mendelssohn C minor trio which followed the Haydn was again Miss Robinson's interventions that did most to provide life and interest. The main theme of the Ondante may not be one of Mendelssohn's most inspired creations, but it has more elegance and charm than Mr. Kalichstein's lumpy presentation accorded it.

Laredo, Robinson and Kalichstein have lately formed themselves into a permanent trio, and it could be that the ensemble has yet to gel (technically it is already finely honed) and priorities are still to be established. Then, as if to prove the ethos of Summer Music once again, Laredo and Kalichstein were joined by Kenneth Sillito, Michael Tree and the cellist Laurence Lesser for an urgent performance of the Brahms piano quintet. Mr. Tree's sinewy viola tone lent expressive weight; Mr. Sillito seemed to relish his unaccustomed position of second violin. In the larger ensemble also, the piano tone became more forthright and equitably balanced with the strings, though some of Brahms's more rhetorical writing still caused embarrassment.

ANDREW CLEMENTS

## Albert Hall/Radio 3

## Mozart and Berg

The BBC Symphony concert on Wednesday provided a timely illustration of why the Proms are artistically special, and were so sorely missed. A programme of Mozart and Berg is simply not to be ventured upon in most other concert series, especially if from the latter's works the Five Altenberg Songs are chosen, with their orchestration of great complexity and scope across a small span of time.

As conducted by Rozhdensky, it was an occasion of abundant and beautiful musical invention. The shine is still upon the orchestra's performance; it plays as though enjoyment of music itself were once again a feature of its style. May it be a feature long preserved! Mozart's youthful D major Symphony, K. 133, had a luxuriance on the sound not at all familiarly associated with the usual fate of Mozart symphonies as concert-openers. It was not an excessively sweet-toothed performance; Rozhdensky appreciates the point at which the leisurely perusal of all the flute-tinted delights of the Andante becomes self-indulgent. Two Minuets with Country Dances, at the start of the second half, struck the same affectionate balance; and the accompaniment to *Exsultate*,

jubilate was radiant. Neither the peculiar clarity and distinctness of Eiddwen Harry's Proms, nor her wonderfully forward way of singing words, allowed for any melting moments. An element of native rococo charm may have been sacrificed, but the music sounded rather more interesting for the loss.

Miss Harry is perhaps less well-known in Berg, whose songs she sang with extreme cogency, but whose vocal writing, even when distilled to such a point of brevity, implies a greater total refinement. Berg, it seems to me, exposes a minor chink in the previously unimpeachable stylistic authority of the Russian conductor. Both here and yet more noticeably in the accompaniment of the Violin Concerto, there was only intermittently conveyed, for all the richness of the orchestral sound, the sense of Berg's formal coherence. The death-laden climax was uncertainty built and achieved; altogether, the dramatic character of the work seemed undervalued. The experience was deeply moving, all the same, for the aristocratic refinement of György Pauk as soloist. I have heard him in this concerto several times, but never better.

MAX LOFFERT



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## FINANCIAL TIMES

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Friday August 15 1980

More detail  
less clarity

THE FULL money supply figures issued today precisely confirm the estimates of monetary growth which appeared with the clearing bank figures last week: but despite a welter of new details, it is if anything harder than ever to assess what has been going on for the past six months.

However, one fact which was already suspected now seems clear, although apparently a clear contradiction of the figures: there has been no significant acceleration of private credit demand. There is also a new mystery: it appears that recent Government funding efforts have not only largely failed to offset monetary growth, but may even have made a contribution to it. These are important developments for future policy.

## Private Borrowers

The credit picture, happily, is relatively straightforward. During the operation of the corset, a good deal of corporate borrowing was financed by bills held outside the banking system; in July about £1bn of these bills were refinanced by the banks. This means that earlier borrowing made its belated appearance in the statistics. If this figure is deducted from the July figure and added back where it probably belongs, at about £100m a month to earlier months, the trend looks perfectly flat.

In these circumstances there is no case at all for further intensifying the squeeze on private borrowers, who are mainly distress borrowers; hence the actions of the Bank of England, which has been supplying liquidity to the money markets on a generous scale to check any further rise in short rates.

However, this action is not simply designed to temper the wind to the storm manufacturer and retailer: technically, it is part of the tangled tale of funding. Liquidity is scarce despite the rapid growth of the broader measures of money partly because the public sector was actually in surplus, sucking money out of the private sector, at the turn of the financial year, and partly because of large subsequent sales of Government stock.

What has now appeared is

that some of this funding was ineffective. The July figures suggest that less than a half of the securities sold in the month were bought by the non-bank private sector: heavy buying by foreigners and banks—which does not contribute to monetary control—accounted for the rest.

## Window-dressing

The July figures probably exaggerated the problem, since they are affected both by earlier window-dressing, when banks sold stock to their depositors overnight on make-up day, and because some of the bank purchases have no doubt been sold on subsequently. Nevertheless, it seems possible that some of the bank purchases of stock were financed with funds earlier supplied by the authorities to ease the squeeze—a form of official round-tripping, which would actually expand the money supply. Yesterday the Bank acted to lock this door by asking banks not to add to their gilt holdings; but nobody knows how many horses got out before this action, because nobody was watching.

## New approach

Two conclusions seem to follow from all this. The first is that excessive funding in capital markets at high rates, and in a strong currency, is not only expensive but doubtfully effective. A new approach, tapping new sources, notably personal savings, is more than ever urgent. This would reduce distortions, and bring nearer the day when companies can begin to pay their debt: to hold back for fear of the effect on the building societies is equivalent to burning industry to keep the house market warm.

The second message is that it may never be possible fully to disentangle the meaning of recent figures, which show money growing at anything between one and 24 per cent annually, according to the measure selected. A fresh start from a new, undistorted base, perhaps in September, with a tighter target, may be the most effective way to make policy credible again. As a Southern Senator once prescribed for Vietnam: "Declare a victory, and withdraw."

## Mary Spooner

ON TUESDAY of this week the Financial Times signed a statement in La Paz which regretted the situation that had arisen out of the activities of our correspondent, Mary Helen Spooner. We appeared to cast doubt on the responsibility of her reporting.

We want to make it quite clear that this statement was

exacted under duress and that our sole purpose in making it was to secure the release of our correspondent from detention during which she had been threatened with death. As we have told the Bolivian authorities, we stand by all the reports from La Paz printed in the Financial Times under Miss Spooner's byline as constituting fair and accurate reporting.

Warning from  
the Saudis

CROWN PRINCE FAHD's call for a jihad is both more and less than a call for Holy War against Israel: jihad can mean that, but it also means righting a wrong and the likelihood of Saudi Arabia—or any other Arab State—going to war now is small.

The Saudi prince's statement has a dual importance. The first is that it is Saudi Arabia's most vehement display of frustration with the sterility of the Egyptian-Israeli talks over Palestinian autonomy in general, and over Jerusalem in particular.

## Frustration

This frustration has been aggravated by the Israeli legislation formalising Jerusalem's status as the united capital of Israel. East Jerusalem was made one with the western part by the Knesset (parliament) in the same month as its capture by Israel in June 1967. Only last April, Prince Fahd was saying in an interview that if Israel declared its intention to withdraw from the Arab lands it had occupied, Saudi Arabia would try its best to persuade all Arabs to co-operate in an overall settlement.

## Camp David

Saudi official statements characteristically try to talk to different audiences at once, and Prince Fahd's has no exception. For the second important point was a low-key invitation to President Sadat (and at one remove the U.S.) to acknowledge that the autonomy talks and the Camp David negotiations as a whole had failed to prevent Israel from consolidat-

ing its hold over some of the remaining occupied territories. In particular Jerusalem and the West Bank. He invited Mr. Sadat to return to the Arab fold and make Arab unity the priority of his policies.

The Saudi statement was carefully timed. It comes after Saudi Arabia has forged a crucial new alliance with Iraq. The Jerusalem Committee of the Islamic Conference Organisation opens in Rabat today. The UN Security Council is preparing to debate measures against Israel because of its Jerusalem policy. Above all, it comes at a moment when Mr. Sadat has broken off autonomy talks and is explaining in an exchange of letters with Mr. Begin why he finds Israel's position unacceptable and a resumption of talks at present impossible.

## Deadlock

Mr. Sadat must be tempted to end his role as outcast from the Arab world. But the balance must be against him deciding to respond to the Saudi call. First, he must realise that rehabilitation would be a slow process. Second, he would not want to jeopardise his relations with the U.S., particularly with Mr. Jimmy Carter in the midst of seeking re-election.

In the face of growing external opposition, Mr. Begin is unlikely to shift his position: Jerusalem as the united capital is the central and immutable plank of his political and religious policies. Nor is an abrupt shift likely on the Arab side, either from Mr. Sadat or from the Saudis. The deadlock looks like continuing.

## UNEMPLOYMENT: THREE VIEWS OF A WORLD PROBLEM



WEST GERMANY

WHEN WOLFGANG SCHMIDT was called into the personnel manager's office he assumed it would be to discuss promotion prospects. Everything pointed that way—he was 33, he was reasonably well thought of as a senior systems analyst and computer problem-solver, and he has a doctorate, an almost indispensable ticket to success in West German industry.

Int he event Wolfgang got the sack. Rationalisation, said the personnel manager, streamlining, hard times. For Herr Schmidt—the name is a pseudonym—the hard times were only just beginning. He remained unemployed for some 14 months—and in Germany workers suffer further loss if they are without a job for over a year.

For white collar employees and unskilled workers alike, unemployment benefit is about 68 per cent of the last net pay (paid for a maximum period of 12 months). Thereafter anyone who is still unemployed can apply for "unemployment support" which can be at the most only 58 per cent of the net wage. However the sources of income of other close members of the family are taken into account—a move which can

bite severely into white-collar unemployment benefit. That is precisely what happened to Herr Schmidt. His gross monthly salary was about DM 5,500 (about £1,300) per month. After tax this came to about DM 3,500 a month. As unemployment benefit he received exactly 68 per cent of this—DM 2,312 a month—plus DM 50 per month for each of his two children.

But after a year of unemployment the picture changed dramatically. The rate was reduced to 58 per cent of the net salary and further deductions were made after assessments were made on the earnings of Herr Schmidt's father and near relatives. In the end, he was receiving DM 820 per month (plus the same child benefits)—scarcely enough to pay the rent for a two bedroom flat in a medium sized town like Aachen, where he lives.

Apart from a small settlement from his old company, Herr Schmidt also earned about DM 6,000 in illegal freelance work during his first 12 months on the dole. He could have earned more in this way, he said, but he was too nervous of being spotted by the authorities or even former colleagues.

The West German economy

may be slowing down but executive unemployment is all a relatively rare phenomenon. The overall jobless rate has now reached about 3.7 per cent of the 25m workforce. Of the 860,000 unemployed, a good two-thirds are in "problem-groups"—over 50, handicapped or without any paper qualification whatever. (The female unemployment rate was over 5 per cent last month.) The population boom in the 1960s is also beginning to have an effect on unemployment among school-leavers and creating an awkward bulge which has to be assimilated in the country's apprentice schemes.

So far, white collar workers have been left relatively untouched by these developments. Most white collar workers are in the civil service and there is precious little chance that they will be made redundant. Even in the troubled sectors—steel, shipbuilding and the motor industry—cuts have been made largely on the shopfloor rather than in the management.

There is no officially released figure for white collar unemployment, but it can only be a small fraction of the total—between one in 10 and one in 15, according to unofficial estimates. "Companies would still prefer," one Social Democrat politician

said recently, "to sack 10 steel workers rather than one manager."

There is no reason why young, reasonably experienced and highly qualified executives like Herr Schmidt should not eventually get a job—providing they are adaptable. In the first year of unemployment he was applied for 42 jobs and was rejected each time. But he also received 12 offers of jobs through the Employment office (Arbeitsamt) and turned them down because they were either too badly paid or would not have furthered his career. This is a common complaint about employment offices in Germany—jobs with real career prospects are generally advertised in the quality newspapers rather than given to the local employment exchange.

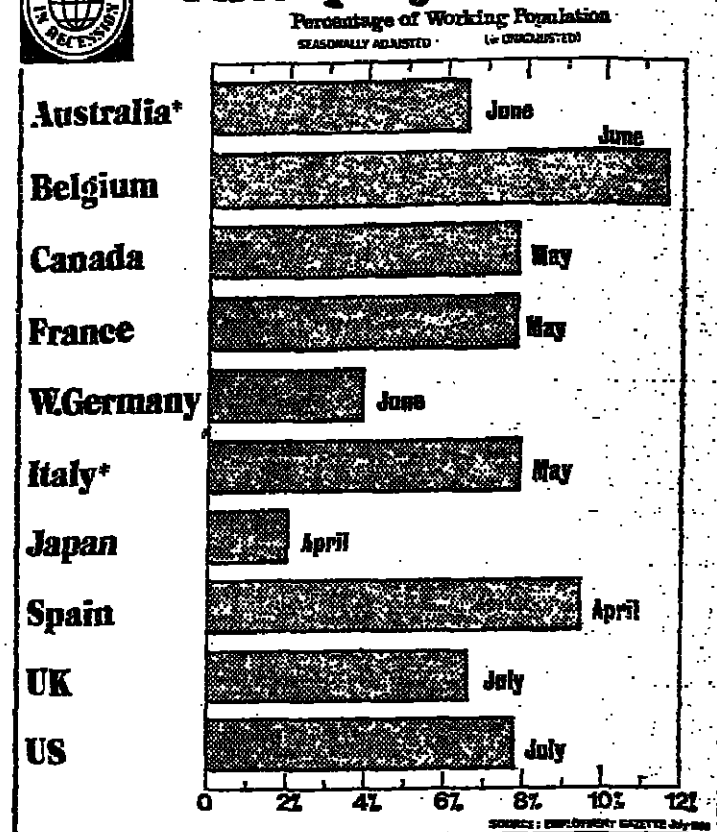
In the end Herr Schmidt's period out of work has taken its toll. He now has a job that pays him far less than his previous one as a junior systems analyst in a Cologne company. It was difficult to adjust at first. His expectations had, paradoxically, risen the longer he was unemployed. Herr Schmidt has also changed: before he was an ambitious executive on the way up, now he is serving time, waiting for something better to happen.

## Dr. Schmidt's sharp shock

BY ROGER BOYES IN BONN



## Unemployment 1980

Figures not always  
what they seem

DAVID DODWELL

THE NUMBER OF people out of work in some parts of the industrialised world is now climbing to levels not seen since the Great Depression in the 1930s.

But the true extent of the problem is not easy to measure. Governments compile their statistics in different ways making international comparisons difficult. And in the Third World the very concept of "unemployment" is often an unreal one.

Most Third World countries make only a tentative attempt to measure unemployment. Their problem is rather a vast army of underemployed—the majority of people in the world—who eke out a precarious existence. As one World Bank economist noted this week "anyone in a country like India who is genuinely unemployed is dead."

In the industrialised world, meanwhile, the unemployment figures are by no means always what they seem. By the Belgian Government's definition for instance, unemployment stood at 7.3 per cent in June. The EEC calculation made it 8.4 per cent, while the OECD put Belgian unemployment for the same month at 11.0 per cent.

Some governments glean figures only from unemployment exchanges, noting only those who formally register as unemployed. Some conduct sample surveys across the population. (The U.S. takes such a sample, but excludes people who have not actively sought work in the past four weeks). Other countries include only those who register for unemployment benefits.

School leaving ages and retirement ages can greatly influence statistics, as can the entry of more women into the salary-earning labour force. In countries where the extended family still provides an

umbrella of support, or where there are no state benefits for the jobless, there may be no overriding incentive to register as unemployed in the first place.

Japan's exceptionally low unemployment level is in part a consequence of these factors. Most governments recognise that certain kinds of unemployment are less serious than others. For example, "frictional unemployment"—unemployment recorded when a person moves from one job to another—can be purely temporary. It may even be a healthy symptom of a high level of labour mobility.

Similarly, seasonal unemployment may not be a cause for concern. Certain industries—like construction, or tourism—are traditionally seasonal. Of far greater concern is "structural unemployment"—thought to affect around 40 per cent of the 6.5m unemployed in the European Economic Community. Workers in Europe and elsewhere are being laid off in declining industries like steel, shipbuilding, textiles, clothing and footwear. Many of these will not find new jobs unless there is a massive injection of new investment in high-technology growth industries—and only then after lengthy re-training.

Workers and unions faced with extensive redundancies in declining industries have responded by throwing up barriers to the adoption of new and highly-efficient technologies. They have also reduced labour mobility as workers cling on to the jobs they have.

In developing countries, unemployment takes on an altogether different significance. Only 19 per cent of the people living in the Third World live in towns or cities, and an average of 73 per cent work in agriculture. Unemployment only has significance in that it compounds already grinding poverty.

## A wait that never ends

BY OUR MEXICO CITY CORRESPONDENT



MEXICO

FIDENCIO GARCIA MORALES stands nearly every day amid dozens of other unemployed workmen outside Mexico City's main cathedral, hoping someone will offer him work.

Sometimes he is lucky and he gets a job for a few days—enough to make a few hundred pesos to bring back to his wife and two sons at San Miguel, a village in Puebla state 70 miles from the capital.

More often he returns empty-handed to his shared room in one of the slums near the Zócalo, the city's central square. Sr. Garcia, a 41-year-old building labourer who has been searching for work for much of the past 15 years, is one of an estimated 8m Mexicans out of a permanent job.

Like most of the 8m he is classed as underemployed, a term that means he makes a subsistence living working sporadically, producing little and earning overall well below the minimum wage of about \$2.70 per day.

There have never been enough jobs to go round in Mexico and the state still provides no unemployment benefit, so the choice for the out-of-work is usually between being supported by the family or eking out a living, usually in one of the more menial service industry occupations that now absorb 40 per cent of the 19m work force.

The streets of Mexico City and the other big towns are

full of the underemployed making just enough to subsist by peddling chewing gum, playing solitary troupers, "watching" parked cars or similar activities.

Sr. Garcia is better off. Although unemployed for three quarters of the year, he manages to stick to his chosen trade and supplements the family diet with vegetables grown on a small plot.

Mexico's unemployment figure of 6 per cent—again an estimate because there are no comprehensive official statistics—is deceptively low and successive governments have treated the problem as one of massive underemployment affecting about 40 per cent of the work force.

With its oil-fuelled economic "take-off," Mexico has avoided the harshest consequences of the world recession, and the administration of President Jose Lopez Portillo would appear to have a good chance of success in his job creation programme—the main goal of its development strategy—so far as it goes.

Under its three-year development plan the Administration is seeking to create 2.2m new jobs by the end of 1982, but according to the most recent estimates, that figure will just about absorb the effect of about 800,000 young people entering the labour market each year. Three of Sr. Garcia's sons will be among that number.

The family would be far better off with the boys bringing home steady wages, but Sr. Garcia, himself one of a large peasant family, has little faith in President Lopez Portillo's optimistic pronouncements that the unemployment problem is showing a "clear tendency to diminish."

"I can't see how it's going to get better. They talk about oil, but we don't see any of it. Life is just getting more expensive," he said.

Mexico's current annual inflation rate is 24 per cent and the purchasing power of the minimum wage has dropped 10 per cent since 1976. According to Government studies malnutrition has risen to affect over 40 per cent of the 70m population.

Sr. Garcia complains about a recent 100 per cent rise in the price of sugar and the accelerating cost of such basic foods as the maize tortilla pancake, a staple of the Mexican diet. Even Sr. Fidel Velazquez, Mexico's veteran union boss who is closely allied to the ruling Institutional Revolutionary Party (PRI) has begun to talk of a "dangerous explosion" if basic commodity prices continue to rocket beyond wages.

As in other Latin American countries, worsening rural misery is driving people off the land in search of better conditions elsewhere. Hundreds of thousands—nobody knows the real figure—head north each

year to join the army of illegal Mexican immigrants working in the southern United States. These "braceros" provide a major safety valve for the Mexican economy.

More often, the poor make for the over-crowded big cities to scratch out a living in the ranks of the underemployed. Some 1,000 new inhabitants arrive by the day in Mexico City, a polluted sprawling metropolis of about 14m already bursting at the seams.

The lucky ones find steady work, usually in menial jobs as maids, waiters and market porters. The others make ends meet in any way possible, frequently taking to the streets. Drivers stalled in Mexico City's unrelenting traffic jams are regularly assailed by trinket vendors, performing fire-eaters and by ragged children who clamour on to cars uninvited to wash the windscreen with a bucket of dirty water.

Sr. Garcia gave up the struggle to make a living working his family's small-holding in 1965 and brought his wife to the capital where he found work on building sites and had his first children.

Jobs gradually became scarcer and he sent his family back to the village where the boys went to primary school and learned to read and write—skills he himself does not possess. He now needs a minimum of 5,000 pesos (about £100) a month to feed the family, but rarely manages to come up with it.

## MEN AND MATTERS

Molto allegro  
con fumo

The elegant scarlet-and-silver livery of du Maurier cigarettes will loom large in the music world over the next two years. Du Maurier, part of BAT Industries, has chosen the vehicle of a £600,000 sponsorship of the Philharmonia Orchestra, reaping fulsome praise from Arts Minister Norman St. John Stevas for "such generous patronage."

The keynote of opulence was set by a champagne junket at the Savoy, with cigarettes proffered at every turn. I was, I confess, vaguely troubled by the thought that if the campaign was as beneficial to du Maurier sales as to orchestra finances, I would have to steel myself for a crescendo in the ranks of those infuriating concert-hall coughers whose barks are guaranteed to punctuate any slow movement.

I was also moved to hope that the Philharmonia's brass and woodwind sections did not ex-

press too freely in kind their gratitude before embarking upon sostenuto passages.

Those qualms apart, the splurge is large by comparison with the £6m which the Association for Business Sponsorship of the Arts estimates as the total annual industry spend on arts. But it is a much smaller drop in the £80m which pressure group Action on Smoking and Health estimates the tobacco industry spends on all UK promotion.

ASH director David Simpson says the scheme is "really sickening." But the Minister for the Arts remains unabashed by such criticism from a body funded by another government department, the DESS, to counter just such schemes as he endorses. "Today's news," he rightly observed, "will gladden not just music lovers in London but throughout the country."

## Wrangler

I am always delighted to be reminded of the exemplary standards of erudition and pedantry maintained by readers of this column—even when it extends to criticism of my esteemed colleagues. I thank Roy Jenkins (not that Roy Jenkins) for taking to task the journalist who described the market for jeans in terms of "pairs per head." "Surely," queries Mr. Jenkins, "he meant to say 'per elbow.'"

## Boxing clever

Westward Television has moles like other people have telephones—there are a great many of them, but they are of varying reliability. Yesterday was a day of hush hush meetings over the long-running saga of the ousting of Westward chairman Peter Cadbury. But they might have been held under the clock at Charing Cross for all the secrecy they enjoyed. Focal point of the current

argument is the remarkable plan of present Westward chairman Lord Harris of Greenwich and the majority of the Board to sell Cadbury's voting shares in Westward if he persists in his come-back plan to sack Harris and lever himself back into the driving seat on the board.

The relevant clause in Westward's Articles is 30(4) which says that if the directors have reason to believe that the IBA "does not propose or intend to extend or renew" the contract for commercial TV in the West Country "by reason of any hold-out of or beneficial interest in or control of any share in the company," then the shares can be sold over the owner's head.

Ironically, it was Cadbury himself who had this clause written into the Westward rule-book in 1968, but he and his advisers were flummoxed when the Harris camp dusted off the files and threw their play. The present Board is still chortling with self-satisfaction that with one uppercut it quelled both Cadbury and his comeback.

But chortling may be premature. Cadbury has only fallen quiet because he is close-combing the law books for a return salvo that will leave no room for a repeat of his usurper's fast footwork with the small print.

With September 23 the date for Westward's appearance at an IBA public meeting over its franchise renewal application, October 6 the day on which Cadbury appears in court on a charge of wasting police time, and October 17 the date for Westward's extraordinary Board meeting, this West Country saga of feud and intrigue could well hog the autumn ratings.

## Rava avis

The Thai Government has clearly learnt a thing or two from Avis and Hertz, for word reaches me from Bangkok that Thailand is establishing "water buffalo banks"—Government-owned stocks of the beasts on

which farmers will be able to draw at a minimal fee come ploughing time.

Initially, the Government is spending \$2.5m on buying up an inaugural hire fleet of 6,000 buffaloes. But the province chosen to launch the experiment will have to meet two conditions. Farmers in the area will have to be sufficiently poor not to own their buffalo already. And the local police will have to give firm assurances that the hire herd is protected from rustlers and bandits. An aquabovine mileage allowance has still to be determined.

## Dishy

Are you seeking something new to titillate the most jaded palate? Bored even with the annual head-over-heels rush to get the dew-fresh grouse on to the Ritz luncheon-table by one? Australia has the answer. For this week, in Adelaide, kangaroo steaks go on sale in the shops on a six-month trial which has the blessing of the city's Board of Health. A meat which, I feel, one could only sauté.

## Curt jargon

I have suffered for years now the catch-all snub that so-and-so is "in a meeting," a phenomenon most commonly observed from 3 to 4 pm. But I was more than a little baffled at my first encounter with another jargonistic phrase yesterday, when invited to join a "corporate face-to-face session." Inquiry revealed that I was being invited to meet a businessman.

## Pure imagination

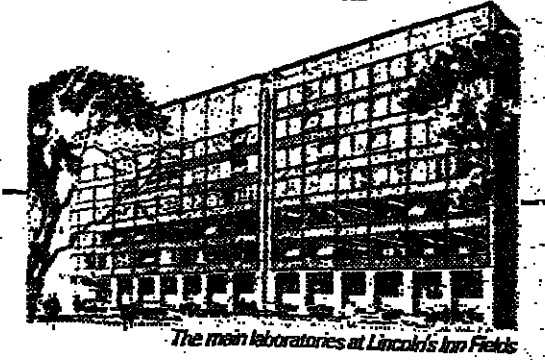
Overheard at the Festival Hall: "I thought a virginal was a piano which had never been played."

Observer

FIGHT BACK  
AGAINST CANCER

It is good to remember that most people live their lives untouched by any form of cancer.

But as all too many are aware, cancer is something that casts its shadow far beyond those it directly affects. That is why so many people think it right to help the urgent work of the Imperial Cancer Research Fund.

IMPERIAL  
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Address

The Appeals Secretary Room  
Imperial Cancer Research Fund, P.O. Box 123,  
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TENSION MOUNTS BETWEEN EMPLOYERS AND THE DOCKERS

# A crucial time for overmanned ports

## THE STATE OF BRITAIN'S MAJOR PORTS

Port	Surplus Dockers	Tonnage* (m. tonnes)	Profit (Loss) £m
London	1,040	17.0	(11.1)
Grimsby	256	10.4	4.9
Liverpool	137	9.7	(7.5)
Dover	619	5.8	1.4
Port Talbot	N.A.	5.6	2.3
Felixstowe	N.A.	4.9	1.5
Manchester	163	4.6	2.1
Clyde	47	4.5	(0.7)
Southampton	151	4.3	1.6
Forth	N.A.	3.7	(7.7)
Bristol	161	3.1	(1.9)
Hull	285	3.1	

\* Non-fuel.  
Source: National Ports Council, National Dock Labour Board, published accounts

TEOS. & JAS. HARRISON'S decision to close its Liverpool stevedoring operation is, at first sight, just another small casualty of the economic recession. Yet it could mark a major turning point for Britain's heavily overmanned ports.

On economy grounds it is a sensible move if not long overdue. Most UK shipowners gave up hiring their own dockers to unload their vessels a long time ago, and the 168 dockers jobs which will be lost in Liverpool are relatively small by comparison with the redundancies being announced in other parts of British industry.

But the implications of Harrison's decision to withdraw from stevedoring are far more serious than indicated by the number of jobs at risk. It could bankrupt the Mersey Docks and Harbour Company. And would certainly do so if another large employer in the port were to close soon afterwards.

At the monthly meeting of the Liverpool Dock Labour Board on Tuesday the port employers for the first time in recent history suggested compulsory severance as one of the options for dealing with the surplus Harrison dockers.

The trade unions, which have a blocking vote on the local dock labour board, refused to accept this as an option and the matter has been referred to the National Dock Labour Board which will be meeting shortly.

Dockers at other ports around the country are also becoming increasingly concerned about possible redundancies. Earlier this week a mass meeting of dockers at Southampton agreed to press for a national dock strike if any of the country's port workers were put on the "temporary, unattached register" other than for disciplinary reasons. This follows a similar decision at Liverpool.

The unofficial national port shop stewards' committee met

a week ago to discuss the issue and there is a possibility that the Transport and General Workers Union will call an official delegate conference to decide the position the union should adopt on employers' calls for voluntary redundancies.

It is eight years since the last national dock strike and threats of a national strike since then have proved groundless. However, it is clear that the problems of surplus labour in the ports are now coming to a head.

To understand the potential significance of these moves it is necessary to recall two special features of Britain's ports which set them apart from other industries. First, it is virtually impossible to sack a docker and, second, if an employer closes down other employers in the port are bound by an industry understanding to take on the surplus dockers even though there is normally no work for them to do.

In practice this means that last year an average of 3,500 registered dock workers (RDWs)—13 per cent of the country's registered dockers—were being paid for doing nothing. In addition, the ports are employing substantial numbers of non-RDWs some of whom are surplus to requirements, although they don't have the job security of RDWs. All told out of the people working in Britain's ports—more than 50,000—something like 6,000 are surplus to requirements.

The reasons why this surplus has been allowed to persist and dockers have been awarded special privileges are rooted in history. For generations dockwork was casual employment and dockers never knew from one week to the next what their earnings would be. Clearly there was a need to put the industry on a more stable footing but in doing so the pendulum has swung too far the other way.

Britain's ports were "de-casualised" in the late 1960s but this coincided with the switchover to containers by many shipping companies which led to a further sharp fall in the number of dockers employed. Between 1965 and 1972 the number of RDWs fell by 23,000 to just over 40,000 and this led to considerable industrial unrest culminating in a national dock strike in 1972.

To help to solve the problems caused by the dockers' fears about the rapid decline in the number of jobs, a committee was established by both sides of the ports industry under the joint chairmanship of Lord Aldington, chairman of the Port of London Authority, and Mr. Jack Jones, the general secretary of the TGWU.

Although the committee recommended substantially

registered dockworkers

Numbers in 1979, compared with 1965

Port	No.	%
London	17,772	70
Liverpool	8,211	58
Hull, Goole	2,516	53
Clyde	1,760	75
Manchester	1,294	54
South Wales	928	45
Tyne and Wear	850	68
All ports	36,885	58

Source: National Dock Labour Board

better voluntary severance schemes to reduce the over-manning in the ports, it also ruled that if a port employer closed, the dockers' jobs would be safeguarded by transferring them to the payrolls of the remaining employers in the port. The committee also recommended that the "temporarily unattached register" (TUR) which was deeply resented by the dockers, should also "effectively be elimi-

nated" and all RDWs allocated to registered employers. These proposals were implemented, the three week national dock strike was called off and, with the guarantee of a "job for life" for the remaining dockers, labour relations in the ports improved substantially. The Government granted £30m towards an improved voluntary severance scheme and over 8,000 RDWs left the industry.

However, one side effect of the Jones/Aldington report was that Britain's two biggest ports—London and Liverpool—have been saddled with excessively large labour forces. In 1972 few people foresaw the scale of the downturn in the trade of Britain's two main ports.

Between 1973 and 1979 Liverpool's trade has fallen by 41 per cent to 15.4m tonnes a year while its workforce has only been reduced by 23 per cent. Over the same period London's trade has fallen by 15 per cent to 48.6m tonnes but the PLA's workforce has remained virtually unchanged because it has had to absorb surplus labour as other port employers went out of business.

As a result, London and Liverpool are now facing very serious financial crises which have stemmed largely from the chronic overmanning in the two ports. Last year the PLA lost £11.1m, after crediting £4.2m of special government help towards severance costs, and it is estimated that it is technically insolvent. Meanwhile the Mersey Docks and Harbour Company lost £7.5m after paying £5.6m of special severance costs. Its accounts have been heavily qualified by the auditors and it is urgently seeking government assistance. Without government help Liverpool is likely to become insolvent for the second time within a decade, and another capital reconstruction seems inevitable.

Both London and Liverpool

have no access to additional financial help apart from the Government. For the Mersey Docks and Harbour Company the closure of T and J Harrison's stevedoring operation could prove to be the last financial straw.

As the major employer in the port, the Mersey Docks and Harbour Company under the provisions of the Jones/Aldington understanding is supposed to digest the bulk of the Harrison workforce (300 if non-RDWs are included). This will only add to the 1,000 dockers and other staff who are believed to be surplus to requirements in Liverpool and will quickly sap what little financial resources the company has left.

On Tuesday, the Liverpool employers, led by the Mersey Docks company, signalled that they could not afford to reallocate the surplus Harrison dockers among the remaining employers. This is said to be the first time that all the employers in a UK port have challenged the Jones/Aldington understanding.

The solution to the financial problems of London and Liverpool is theoretically simple. Both ports need to shed a sizeable part of their labour forces very quickly. The difficulty is that the current institutional structure does not make this easy and as the Harrison case emphasises the strains are beginning to tell.

Liverpool cannot continue carrying its surplus labour force much longer and other ports around the county are facing similar problems although to a lesser degree. Meanwhile, the trade unions which fought so hard and successfully against compulsory redundancies in the 1960s and early 1970s are not going to allow their hard won privileges to be dissipated without strong opposition.

So far the Government has largely ignored the problem. As so often happens, it takes the

threat of a national dock strike or the bankruptcy of a major port to galvanise the authorities into action. Neither can be ruled out within the next year.

One of the Government's main problems is that responsibility for the ports is split between different government departments. The Minister of Transport is responsible for the bulk of the ports' activities but the key area of manpower, and in particular the operation of the National Dock Labour Board, comes under the Department of Employment.

Until now the Ministry of Transport has been the main department coping with the port's growing financial crisis and it has adopted a very pragmatic approach emphasising the inconsistencies in Government policy.

In the case of the PLA the Government has felt obliged to honour the previous administration's commitments. It is supporting the port with up to £70m (largely through help with severance payments) but beyond that has said there is no more money.

In many respects London has a good case for special Government help but it has also been favoured for political reasons over the years. The sensitivity of a handful of constituencies where the dockers live has unnecessarily delayed the closure of London's two enclosed upper dock systems.

If London's surplus manpower could be shed quickly—a course which would be strongly resisted by the unions—the PLA would have a very bright future as a port. The downstream docks at Tilbury are ideally situated to capture trade.

By contrast the problems of Liverpool are more intractable and its financial problems more pressing. It has suffered, in common with other West Coast ports, from the shift of trade to ports in the South and East. Liverpool feels, with some

justification, that it has been unfairly treated by comparison with London which has received substantial government help to shed labour. The port is now seeking government aid ostensibly to "modernise" the port but in fact to stave off bankruptcy. A study by the National Ports Council is expected to support its case when it is published later this year.

Apart from ad hoc help to ports in difficulties the Government is also moving towards giving the ports more control over their own affairs. To this end it has taken the somewhat surprising decision to support its case when it is published later this year.

Although the NPC never developed into the powerful body that Lord Rochdale envisaged after his 1962 Inquiry into Britain's ports, it has carried out worthwhile behind-the-scenes work on such matters as comparison of port performance and has been instrumental in establishing North Sea oil

terminals in places like the Shetlands.

Ostensibly the abolition of the NPC is supposed to save money and increase the efficiency of the ports. However, the more is likely to do the opposite. As quangoes go the NPC was relatively cheap (a staff of 60 costing £11m a year). Its functions are to be taken over partly by the Ministry of Transport and partly by an enlarged British Ports Association (BPA).

The BPA is taking on extra staff to undertake its new role and once these are paid for, and the costs of compensating the dismissed NPC staff are calculated, it is probable that Britain's ports will be paying more than they were under the old regime.

If the Government had been really intent on deregulating the ports it would have been far better advised to axe the National Dock Labour Board (537 staff costing £4.3m) which is a far bigger quango than the NPC and a far more important obstacle to increased efficiency in the ports.

## Letters to the Editor

### North Sea oil

From Professor G. Maynard

Sir—In your paper "The economic implication of North Sea oil" (which was summarised and commented on favourably by Samuel Brittan in your issue of July 3), Messrs Forsyth and Kay provide the best analysis so far published of the impact of North Sea oil on the British economy. Even so, they must leave some of their readers puzzled since they do not resolve the paradox that despite the enormous benefits being received from oil the plight of the UK economy seems to get worse and worse.

Messrs Forsyth and Kay argue that the growth of North Sea oil production must lead to a contraction of Britain's manufacturing sector, the rise in the real exchange rate, which is causing so much consternation, being no more than the instrument for bringing this about. This argument, however, is true only on the assumption that Britain's non oil domestic production is constrained by domestic economic factors. If, prior to the onset of North Sea oil, the growth of our non oil economy had been constrained by the balance of payments (i.e. by a failure of our exports to increase fast enough to match import requirements as domestic production and expenditure rise), then the progressive replacement of oil imports by North Sea production would free export revenue to cover increases in other imports which would then allow domestic production and expenditure to rise.

Indeed, domestic production and expenditure could grow by a multiple of the saving in oil imports depending on the marginal import content of our expenditure; and the more the saving in oil imports is absorbed in this way, the less is the need for the real exchange rate to rise. Certainly, in this process our non oil balance of payments must worsen to offset the improvement in oil account, assuming no change in our overall current account position; but in the circumstances postulated, the associated contraction of our manufacturing sector would be relative only (i.e. relative to a larger GDP) and not necessarily absolute.

Messrs Forsyth and Kay rightly reject the existence of a balance of payments constraint but unfortunately do not make it clear how output can be constrained by domestic factors, given the existence of growing unemployment of labour and less than fully employed capital equipment. Samuel Brittan repeatedly identified the fundamental constraint as being too high a level of own product wages in the manufacturing sector (i.e. too high in terms of manufacturing output, not necessarily too high a level of real wages overall or too high a disposable real wage income) and too low a real return on capital.

Determination of the manufacturing labour force to maintain an unrealistically high real wage in terms of manufacturing output not only contributes to unemployment but also to inflation; while the determination of the Government to meet that inflation by a policy of high interest rates produces, at any rate temporarily, an even higher real exchange rate than would otherwise be the case.

This further lowers the profitability of capital, and further reduces the ability of UK manufacturing industry to respond to demand. We have in fact a vicious circle operating, in which both real incomes and employment are pushed lower than need be.

Undoubtedly Government policy has contributed to our problems. By being too hasty in redistributing the tax burden from direct to indirect taxes and in raising public sector prices, it forced an untimely fall in the disposable real income of the mass of the labour force. Not only did this add to inflationary expectations, so complicating the operation of monetary policy, it also triggered off money wage demands which raised own product real wages in the manufacturing sector, so helping to reduce profitability.

It would perhaps have been wiser to have made haste more slowly, giving priority to maintaining after tax disposable real wages so as to moderate money wage demands, and reducing inflationary expectations. Rapidly growing North Sea oil income could then have been relied upon to reduce the overall burden of taxes and public sector deficits.

(Professor) G. W. Maynard, University of Reading, Whiteknights, Reading.

### Praise the treasurers

From Mr. C. Dobson

Sir—My comments are prompted by remarks in the Lex column (August 12) and by Peter Riddell's article "Government borrowing higher than expected" on the same day, about the local authority contribution to the rise in the central government borrowing requirement during July.

The total amount of local authority borrowing from the National Loans Fund (through the Public Works Loans Board) is pre-determined by central government. The timing of this borrowing throughout the year must also comply with a centrally approved pattern which is designed primarily to avoid "lurching". The level of interest rates charged is set, and regularly changed, to reflect gilt market movements.

The drawing of funds by local authorities during July complied absolutely with the above rules and therefore I feel it is wrong to imply irresponsibility on their behalf for utilising their entitlement and it is certainly unreasonable to suggest that in doing so they are helping to keep interest rates high.

I shall be surprised if PWLB borrowing is not substantially lower during the next six weeks but not at all shocked if, despite this, the Government sees fit to issue sizeable new stocks at necessarily appealing levels not least in an effort to get monetary statistics back on course.

Lex registers surprise that in these corset-free days the local authority treasurers seem not to be willing to borrow more from the banks—presumably for shorter periods than those available from PWLB, and states quite correctly that "they would normally prefer long borrowings from the NLF only when they did not expect interest rates to fall."

Even if banking offers were available at competitive rates and on the right terms, the treasurer's will is irrelevant. His

### Banking in Sri Lanka

From the Director, International Central Bank of Ceylon

Sir—I refer to the item appearing on July 11 under the caption "Sri Lanka warns foreign banks." According to this senior Cabinet spokesman has said that "unless foreign banks newly arrived in Sri Lanka cease to pay interest on current accounts, the Government will introduce a law to stop them doing so at once."

As you are well aware, Sri Lanka now follows an open economic policy, under which foreign banks and investors are welcome in the country. The news item referred to, however, gives an impression that Sri Lanka has discriminated against foreign banks by threatening them with legislative action if they do not refrain from paying interest on current accounts. This position is not correct.

Two new foreign banks in Sri Lanka have offered to pay a very high rate of interest on current accounts to a few selected clients of theirs. If this became a general practice, and if all commercial banks in Sri Lanka followed suit in competition, this would have raised their costs needlessly with no advantage to any bank. As a result, commercial bank lending rates in the country would have risen very sharply and put further pressure on prices. This matter was carefully examined by the authorities and the central bank advised all commercial banks, local and foreign, to refrain from paying interest on current accounts or adopting similar measures which might ultimately prove to be counterproductive. In other words, this request of the central bank was not aimed at the newly arrived foreign banks only.

I may also mention that there is no need to introduce any new laws to prevent any bank from paying interest on current accounts. Such legal authority is already vested in the central bank.

Manil Silva,  
Central Bank of Ceylon,  
Colombo, Sri Lanka.

### Local authority borrowing

From the Treasurer, Gloucestershire County Council

Sir—The headline "Funding the Town Hall deficit" (Lex, August 12) assumes that there is one. It also appears to assume that the borrowing figures for July relate to revenue spending. They do not. Local authorities levy rates and set budgets for their revenue spending and include provision for inflation. Mr. Heseltine's "overspending" referred to on the front page of the same paper is not an overspending in terms recognised by the business community. It is merely one person's view of the declared budget. The money is already raised.

To turn to the borrowing from the National Loans Fund. Surely you are aware that this can only be used to fund capital expenditure, the creation of fixed assets. We have borrowed from the National Loans Fund in July 1980 because the long-term rates had come down. In 1979 they had just gone up. What is more, we are restricted by Treasury regulation or voluntary code which is Treasury induced in two ways. Our under-three-month borrowing is limited to 15 per cent of outstanding debt or our previous year's capital payments, and our one-year borrowing is restricted to 20 per cent or one-third, an additional 5 per cent in other words. The "voluntary code" requires all local authorities to extend their debt profile to six years' average and, therefore, it is not surprising that we go to the National Loans Fund when the interest rates have reached what appears to be, and with the benefit of hindsight was, a low point.

The publication of "knocking copy" does absolutely nothing for the Government's economic problems and merely creates adverse publicity affecting the status of local authorities in the money market.  
T. N. Hobson,  
Quayside Wing, Shire Hall,  
Gloucester.

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T. N. Hobson,  
Quayside Wing, Shire Hall,  
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## Today's Events

Overseas: President Jimmy Carter makes speech accepting Democratic Party nomination as presidential candidate, at closing session of convention, Madison Square Garden, New York.

United Nations debates Israeli annexation of East Jerusalem, New York.

Swedish Government discusses raising VAT to 22 per cent.

Deadline for New York to produce plan to avoid next year's budget deficit.

Mr. Peter Bird, a Londoner.

starts 8,000-mile run from San Francisco to Australia.

OFFICIAL STATISTICS

Department of Employment publishes the retail prices index for July. Central Statistical Office issues the tax and price index for July. British Steel Corporation and British Independent Steel Producers Association release usable steel production figures for July.

COMPANY MEETINGS

John Beales, Peveril Works, Peveril Street, Nottingham, 12. Davenport Knitwear, Allen

House, Newark Street, Leicester, 11.30. Godfrey Davis, Bushey House, Bushey, Watford, 12. May and Hassell, Grand Hotel, Broad Street, Bristol 12.

COMPANY RESULTS

Final dividends: Phoenix Timber, Pifco Holdings, Interim dividends: Corah, P.B.W.S. Tokyo.

LUNCHTIME MUSIC, London

Concert by Malcolm Burnock Orchestra, Tower Place, ECA, 12.00 pm.

Recital by John Francis, cello, St. Lawrence Jewry, Gresham Street, 1.00 pm.

Organ recital by Suzanne Ozorak, St. Martin-within-Ludgate, 1.15 pm.



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## Third-quarter fall at BOC

A SHARP downturn in the U.S. economy and lower trading activity in the UK has hit third-quarter results of BOC International, the industrial gases and engineering group.

Profits before tax in the third quarter to June 30, 1980, were down from £19.1m to £16.6m with the nine-month total down from £51.4m to £47.7m.

The directors comment, however, that if depreciation had been charged on historical cost rather than replacement cost, nine-month pre-tax profits would have been up from £69.4m to £71m.

They report that the impact on third quarter profits was most dramatic on the U.S. and UK welding and carbon businesses. But in spite of lower profits from the U.S. gas activities,

profits in the group's total gas business were ahead of those of 1979.

Third quarter sales fell from £300m to £291.9m, giving a figure for the nine months of £907.5m (1979 £924.1m). Trading profits for nine months dropped slightly from £59.9m to £58.3m, struck before interest charges of £1.6m (£95.5m). After tax down from £29.5m to £18m, net profits moved ahead from £27.9m to £29.7m.

Earnings per 25p share are shown to be up from 7.16p to 7.4p on a net basis.

In the last full year to September 30, 1979, a pre-tax profit of £72.7m was achieved on sales of £1.23bn. A total net dividend of 4.2p was paid.

At the halfway stage this year,

an interim dividend of 2.1p was paid.

The directors say that compared with the corresponding nine months of 1979, pre-tax profits to June 30 were adversely affected by £2.5m due to exchange rate charges, £7m due to higher interest rates, and extra depreciation of £2.6m. However, profits benefited from a reduction in interest of £3.9m because of lower borrowings.

If the results were calculated on a full CCA basis (including adjustments for monetary working capital and gearing) pre-tax profits for the nine months would have been £46.8m.

The directors report that the group is engaged in a number of continuing activities aimed at a major improvement in produc-

tivity and cost reduction. These programmes, they say, involve shut downs and relocations as well as redundancies.

The group is also selling or liquidating a number of product lines and businesses which either fall outside the group's long-term strategy or have poor prospects. About £10m has been set aside to cover the anticipated cost of these sales or liquidations, and this provision will be shown in the annual accounts as an extraordinary item.

Trading profits were split geographically between: Europe £24.2m (£22.7m), Africa £12.7m (£10.3m), Americas £35.3m (£41.6m), Asia £1.1m (£1.2m), and Pacific £16m (£14.1m).

Lex, Back Page

## Ultramar jumps £36m and expects good second half

FIRST-HALF taxable profits of Ultramar Group, the petroleum exploration and development concern, have soared from £23.8m to £60m, despite the adverse effects of a strong pound and a decline in sales volume. Although turnover went ahead from £403.9m to £450.8m in the six months to June 30, 1980, group oil sales were down from 275,000 to 205,000 barrels per day.

And there was a slight decline in second-quarter profits this year to £28.5m, compared with £31.5m in the first three months although this reflects a difference in currency translation between the two periods. Mr. Campbell Nelson, chairman, warned after the first quarter that there were some uncertainties for the rest of the year, but he now repeats his forecast that the group will do well in the second half. In the whole of 1979, the pre-tax surplus was lifted from £37.7m to £78.4m.

The interim dividend is effectively raised from 2.5p to 4p—last year a total of 7.5p was paid after adjustment for a one-for-one scrip issue. Fully diluted earnings per share are shown up from 15.1p to 34.5p. Trading profits rose from £31m to £67.2m in the first half, and the taxable surplus is struck after amortisation, depreciation, depletion and amounts written off of £7.2m (same).

Tax charged is up from £9.9m to £24m, and after foreign exchange gains of £0.5m (£2.1m) which relate almost entirely to long-term loans repayable up to 1993, and preference dividends of £0.1m (£0.7m), attributable earnings are well ahead at £36.7m (£15.3m). Cash flow from operations jumped £23.5m to £46.2m.

The convertible redeemable preference shares issued in 1975 have been converted into ordinary shares, so no further preferred share dividends have accrued since the final payment on January 31 this year.

The group is proceeding with the sophistication of its Quebec refinery by the construction of a catalytic cracker

### HIGHLIGHTS

Lex looks at the July money supply figures which, as expected, show a rise in M3 of 5 per cent for the month, reflecting the end of corset controls. On the company front the nine-month figures from BOC show profits lower by £3.7m to £47.7m, though this reflects a solid enough performance given the industrial background worldwide. Phillips Lamp reported its second-quarter results showing a substantial setback in profits. The company has kept its volume up but at a severe price to its margins. Finally Lex briefly comments on the difficulties of BPC which yesterday reported a £8m loss at the half-way stage and has passed the dividend. Moorgate Mercantile has popped up with a £1m rights issue and £5.4m syndicated loan and other important news came from Ultramar with more than doubled profits and Automotive Products with more than halved profits. UDI shares started trading again yesterday after the news of the TSB deal; they closed at 48p, against a suspension price of 61p.

and related equipment at an estimated cost of £510m. The new equipment is expected to come on stream at the end of 1982.

As the first step of a ship construction programme, agreement has been reached to build two 75,250 ton oil-bulk-ore carriers in the Puerto Real shipyard in Spain under suitable credit arrangements. Results of applications for a total of 12 blocks in the seventh round of licence allocations in the North Sea, English Channel and South Western Approaches, for which Ultramar has joined a number of different groups of companies, are expected to be announced before the end of the year.

Long-term debts amounting to £31.7m were prepaid during the first half, comprising mainly unsecured Canadian bank loans of £250m due in 1984 and an Indonesian project loan, of which the long-term portion was £5.45m. Annually due in 1985, the project loan is still available as a term facility until 1988, reducing by £2.7m every three months. Long-term loans at June 30, 1980 were down from £76.4m to £41.5m.

About 45 per cent of group profits for the period came from Indonesian operations, states Mr. Campbell Nelson. The Canadian and U.S. refining and marketing divisions also did

well, but the results were affected by the strength of sterling when measured against dollars.

The volume of oil refined in the first six months fell to 77,500 barrels a day, compared with 92,500 in the corresponding period last year. Oil production also declined, from 10,100 to 8,700 barrels a day.

### comment

With the emergence of the oil surplus, it looks as if Ultramar's profits are now beginning to ease back after the surge in the second half of last year. While the contribution from Indonesia has continued to rise, the oil refinery in Quebec is still running well below capacity. In the second half the squeeze on downstream operations is likely to intensify, leaving after-tax profits in the region of £75m, which is not an enormous advance on last year's £45.3m once the Iranian write-offs and other non-recurring deductions are allowed for. Next year, with the end of the favourable Saudi contract, there will be downward pressure on profitability. Meanwhile, the group plans to spend heavily in the North Sea, in shipping and at its Quebec refinery, in a bid to produce profits from a more diversified front by the mid-80s. The shares rose 12p yesterday to 355p, producing a prospective p/e of about 5, after tax.

## Moorgate Mercantile seeks to raise £5.9m

MOORGATE MERCANTILE, the instalment credit and insurance group, is raising £5.9m through a rights issue and a syndicated loan. The funding exercise marks the end of a long process of rehabilitation for the company, which ran into acute liquidity problems at the end of 1973.

Since that time, Moorgate has relied exclusively on secured credit to finance its business but this is all being replaced by the new, unsecured facility of £5.4m. The rights issue, which is being made on a one-for-four basis at 14p, will raise a further £0.5m. It is being underwritten by British Linen Bank.

Moorgate was an early casualty of the secondary banking crisis and its shares remained in suspension from December 1973 until September 1977. It pulled through thanks to an informal

agreement with its creditors.

These have now been paid off in full and the rights issue proceeds will be roughly equivalent to the last payment made to them in March this year. That payment was the last step in wiping the balance sheet clean. Last year the company eliminated its retained losses by the virtual cancellation of its share premium account and resumed dividend payments.

Moorgate currently has secured borrowings of £3.9m, so the rights issue and credit facility will together leave the company with £2m for future expansion. The new loan will be considerably cheaper to service than Moorgate's existing debt. It is being managed by British Linen and has been syndicated among 10 banks, several of which are already providing the company with funds.

## Outlook for LCP profits

LCP Holdings would improve "the quality of profits" for the current year even though they would fall below the level of last, according to Mr. David Rhead the chairman.

Increased contributions from the group's property, distribution and overseas operations would give a better balance to earnings, he said yesterday. The recession in the UK meant L.C.P.'s activities in construction, metals and vehicle distribution were facing very difficult trading conditions.

Mr. Rhead said the second half of the year would show an improvement over the first six months, but he expected profits to be down for the year as a whole.

The Financial Times regrets that the headline on the report of L.C.P.'s annual meeting in yesterday's paper referred to an anticipated loss this year. It should have referred to lower earnings for the current year.

## Ratcliffs (Gt. Bridge) down to £65,000

THE YEAR-END pessimism expressed by the board of Ratcliffs (Great Bridge), manufacturer of brass and copper strip, has been borne out with the first half pre-tax profits falling from £386,000 to £65,400. Although tax was considerably lower at £70,700 compared with £161,900, the company suffered a net loss of £5,300 against profits of £419,100.

There was an exceptional metal loss of £124,850, and redundancy and termination payments amounting to £36,600, but these items have not been included in the first-half figures. Sales in the six months to June 30, 1980 were £29.15m (£22.35m). The board says earnings are unlikely to improve until the rationalisation programme, at present being undertaken, has been completed.

The interim dividend is cut from 1p to 0.75p—last year's total was 2.5p from pre-tax profits of £1.58m.

### comment

Stripping out the effect of spring copper price increases, volume at Ratcliffs is down by 30 per cent at the halfway stage. Given the dependence on the automotive industry on both sides of the Atlantic, the fall was only to be expected although the Canadian experience has been less gloomy (which implies heavily on the group tax charge) and the North American car market is expected to pick up quite quickly. The damage in the UK has been inflicted largely by export difficulties caused by a strong currency and there is probably little Ratcliffs can do to restore export sales to their 40 per cent norm until parties are re-aligned. Recovery hopes must be pinned, first, on the U.S. auto market's revival and over the medium term on efforts to diminish the 70 per cent UK sales emphasis in the vehicle market. It seems a tall order but at least the closure of Enfield and the move of Enfield to Basingstoke, which is a bid to produce profits from a more diversified front by the mid-80s. The shares rose 12p yesterday to 355p, producing a prospective p/e of about 5, after tax.

## BARCLAYS UNICORN GROUP LIMITED

Announce that at the adjourned meeting of unitholders in Barclays Unicorn General Trust on 14th of August, the resolution to adopt the new Supplemental Trust Deed was approved.

The latter included provision for an increase in the annual service charge to 3/4%.

BARCLAYS UNICORN GROUP  
James House, 94 St. Paul's Churchyard, London EC4A 3BS.

## Louis Newmark ahead at £2.3m

AN ADVANCE of £355,000 to £2.31m in pre-tax profits is reported by Louis Newmark, electronic and precision engineer and watch distributor, for the year to March 29, 1980. Second half figures improved from £986,000 to £1.21m. Turnover for the full year was up from £26.54m to £29.53m.

The Board says the latter part of the year was affected by national industrial disputes, as a result of which some of the company's manufacturing divisions were unable to achieve their budgeted output.

The pre-tax figure is struck after depreciation up from £456,000 to £560,000. Tax was £1.25m (£1.06m), leaving £721,000 compared with £826,000.

Stated earnings per 25p share are 5p higher at 35p, and the final dividend is raised from 6p to 7p for a total of 10.5p against 9p.

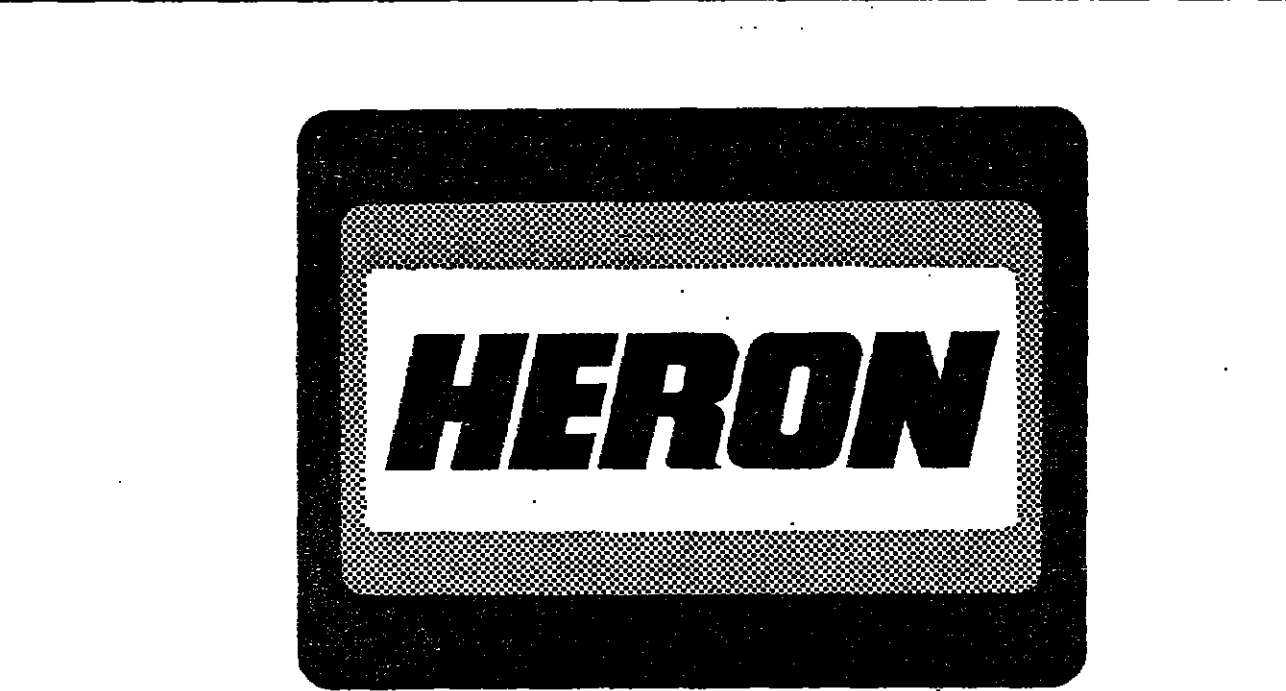
### comment

Given the problems Louis Newmark had during last year's national engineering strike a 17 per cent increase in pre-tax profits is a reasonable outcome although, if anything, the previous year was even more disrupted by internal and external strikes. Ministry of Defence work has been a plus point for Newmark at a time when its traditional involvement with automotive components is being affected by the troubles of the car-makers. Manufacturing

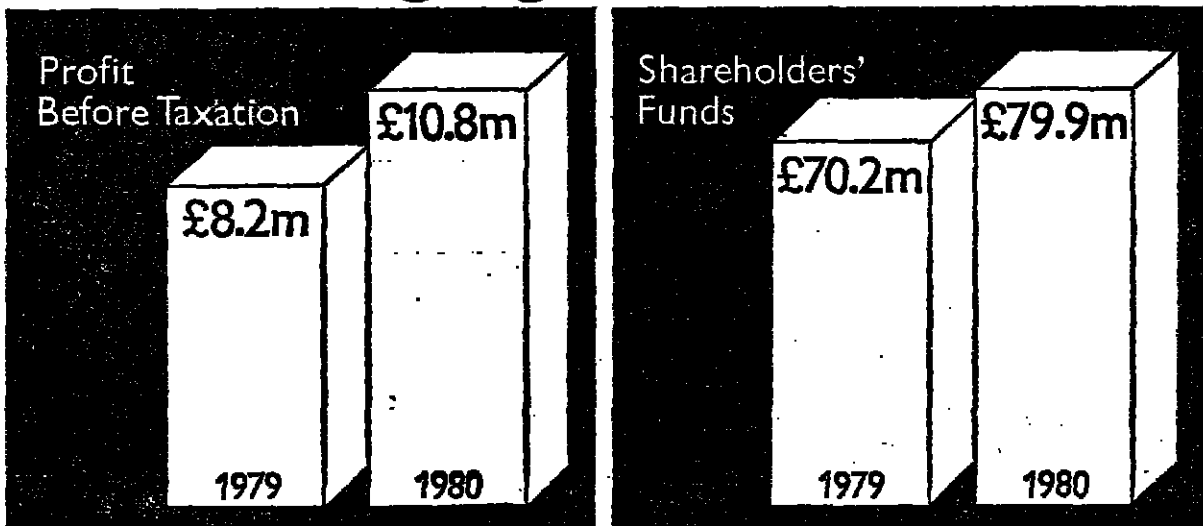
activities, which take in electronic, electro-mechanical and precision engineered equipment, produced 19 per cent better profits thanks largely to the group's greater emphasis on high technology products and sales to the aerospace industry. On the merchandising side there was also some improvement thanks to the strength of sterling holding down the price of imported watches. The current year got off to a good start with £4m order from the RAF and as long as the consumer side does not collapse, a small improvement seems possible at the half-way stage. The balance sheet is as sound as ever and the yield at 40p is 3.8 per cent—reflecting the recent strength of the shares.

The directors say the accounts will show that the building loans outstanding are currently about £16m.

Shareholders will be relieved to see Reardon Smith in the black again, even if no real dividend can be paid until next year at the earliest. Disposals and firmer freight rates have substantially improved cash flow and the balance sheet looks much more stable, with ship-building loans down from £26m to £16m. The "A" shares trade at a discount of around 45 per cent to asset value, on yesterday's price of 71p, but the recent weakening in freight rates illustrates why the market still treats the shares with caution. The company's dry cargo vessels are on short time charter and, with interest payments still higher than trading profits, a weak market could force the company back into the red. This looks unlikely at present, however, and it would be surprising if next year the company did not pay considerably more than the nominal dividend required for trustee status.



## Financial Highlights 31st March 1980



Our activities in property development, petrol retailing, motor vehicle and motorcycle distribution, housing estate development, consumer products and insurance have produced another successful year. Profits and shareholders' funds are again record figures.

Copies of the Accounts are available on request from the Secretary.

## Heron Corporation Limited

Heron House, 19 Marylebone Road, London NW1 5JL

### DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corre. of sp. div.	Total for year	Total last year
ACB Research	1.5	Oct. 14	0.5	2.0	4.4
W. G. Allen	2.31	Sept. 17	2.16	3.11	2.96
Automotive Prods.	1.5	Sept. 25	1.5	3.0	3.18
BPC	Nil	—	1.1	—	3.5
Carrington Invs.	Nil	—	2.4	Nil	2.4
Malaysia Rubber	2.5	Oct. 10	2.5	3.5	3.25
Louis Newmark	7.75	Oct. 17	6	10.5	9
Ratcliffs (Gt. Bdg.)	0.75	Nov. 1	—	—	2.5
Rea Brothers	0.73	Oct. 10	0.54	—	1.5
Reardon Smith	0.1	—	0.1	—	0.1
Squirrel Horn	0.75	Oct. 3	0.75	—	1.81
Stenhouse Hlds.	1.32	Sept. 29	1.82	—	4.52
Ultramar	4	Nov. 7	2.5	—	7.5

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

### M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1979-80	High Low	Company	Price	Change	Div (p)	%	P/E
59	52	Airsprung	53	—	6.7	12.6	3.11
101	63	Armitage and Rhead	23	—	2.8	16.5	1.59
162	92	Bardon Hill	162	+ 2	8.7	6.0	6.11
100	75	County Cars 10.7% Pl.	75	—	15.3	20.4	—
101	63	Deborah Ord.	96	—	5.0	5.2	10.5
125	88	Frank Horral	125	+ 2	7.9	6.4	3.94
129	71	Frederick Parker	71	—	11.0	15.5	3.31
155	81	George Blair	91	—	16.5	18.1	—
84	45	Jackson Group	33	—	8.0	7.2	—
153	103	James Burrough	122	—	7.9	8.5	10.0
302	242	Robert Jenkins	300	—	31.3	10.4	—
232	172	Torday	221	—	15.1	6.8	3.81
34	10	Twinkl	12	+ 0.5	—	—	—
90	70	Twinkl 15% ULS	82	—	15.0	18.3	—
56	23	Unilock Holdings	47	—	3.0	6.4	7.2
30	45	Unilock Holdings	48	—	3.0	6.3	7.4
100	42	Walter Alexander	100	+ 2	5.7	5.7	10.0
245	136	W. S. Yeates	245	+ 3	12.1	4.9	4.01

† Accounts prepared under provisions of SSAP 15.

## Home improvements, repairs and maintenance markets result in record profits

Salient figures.	Year to 31.3.80 £'000s	Year to 31.3.79 £'000s
Turnover	139,623	118,129
Profit before taxation	25,821	19,661
Profit after taxation	16,862	11,058
Earnings per 25p ordinary share	23.7p	15.7p
Dividend per 25p share (net)	7.5p	5.737037p

## Magnet and Southern still on the move

Pre-tax profits for the year are again a record, and for the third consecutive year a capitalisation issue of one new ordinary share for every two held is proposed.

Capital expenditure during the year totalled £8,700,000. Five new depots were opened and a further three since the year end with fourteen in the pipeline. Building work planned or under construction currently stands at £3,400,000.

Very shortly we will be launching a new range of high performance hardwood window frames. It is encouraging to note the increased emphasis on timber-frame housing, and steps have been taken for us to share in the expected increase in the consumption of timber and plywood.

S. Oxford, Chairman

## Magnet Southern

FOR ALL THAT'S GOOD IN WOOD



## BPC incurs £6.5m loss

AS FOREWARNED at the annual meeting, substantial losses have been incurred by BPC, the printing, packaging and publishing group, in the first six months of 1980. Following on its May announcement that heavy losses of some £3m had been sustained due to disputes in the industry, the group ended the six weeks to June 28 with a pre-tax deficit of £6.54m, compared with profits of £60,000 last time.

At the AGM, Mr. Peter Robinson predicted a return to profitability in the second six months of this year, but he now says that the immediate outlook is poor and it is now unlikely that a profit will be achieved in the second half.

Should the Observer close in the coming weeks, redundancies will become necessary, at Burnell and Sons where the colour supplement is printed and where its loss would have a serious impact, he warns.

Although in the short term the group's trading position will remain depressed, determined action is being taken. Working capital is being tightly controlled; four plants which are no longer competitive will be closed in the autumn, and redundancies have been declared in several other companies; and further action is under consideration.

With INCREASED turnover at £29.19m against £20.50m, AGB Research, the market research and publishing group, reports a rise of £864,500 to £2.9m in pre-tax profits for the year to April 30, 1980.

Profit margin was down 1 per cent at 9.9 per cent. Tax took £1.56m against £1.27m.

Earnings per share were better at 12.10p (£2.75p). The dividend is increased from 4.4p to 5p with a final of 3.5p. A one-for-three scrip issue is proposed.

A divisional analysis of profit shows: market research £1.91m (£1.59m); publishing £755,600 (£530,300); information systems, including specialised computer services £127,600 (£56,300); marketing services, including conferences and exhibitions £106,100 (£30,200 loss).

These results include a contribution from Trenton Group, acquired in November 1979. The

In addition, on August 7, BPC announced the sale of the Jane's Publishing business, which will realise around £3.15m. As the assets of this business were £0.7m, this deal will improve earnings while, in a full year, interest on the sale proceeds should offset the loss of trading profit.

As expected, no interim dividend is being paid, against a payment of 1.1p net last time. Stated loss per 25p share increased sharply from 1.3p to 16.5p. Last year's interim was followed by a final of 2.4p and 1979 pre-tax profits totalled £4.29m.

In May, the chairman explained that the interim was to be omitted as a result of the effects on the group of industrial disruption, combined with a strong pound, a downturn in trading and very high interest rates.

He now reports that during the last three months the recession has deepened with suddenness and severity in all areas of the group's business. The national printing dispute and the industrial wage awards which stemmed from it have made competition for more difficult in the printing and packaging divisions.

AGB Publishing continues to suffer difficult trading conditions, while the cutback in education and library spending

current year (1980-81) will include full-year contributions from Trenton Group and also from Langton Information Systems, acquired in April 1980.

The attributable balance was £1.44m (£983,700) after minority profits of £104,400 compared with losses of £11,600. After dividends of £764,800 (£480,700) the retained amount was £674,200 (£503,000).

Following the rights issue in March and the retention of earnings for 1979-80, shareholders' funds have more than doubled from £4m to £8.6m at April 30, 1980.

With a fully taxed p/e ratio of 20.4, AGB shares are hardly cheap, but the group can point to an unbroken record of growth since it went public a decade ago. Even under current recessionary pressures, the company continues to prosper, although

part of the pre-tax rise was fuelled by overseas market research business. In the publishing division earnings were helped by increases in cover prices and advertising rates for the 32 trade journals. A first-time, six-month contribution of around £100,000 from Trenton helped turn last year's small loss in the marketing services division into a positive showing.

Having now exceeded the profits forecast issued at the time of its £3.6m rights issue in February, AGB plans to continue to build up its European network, particularly in the field of television audience measurement. In the next few weeks the company will reveal new market research-related acquisitions abroad, which should help profits at year-end. At yesterday's price of 192p, up 7p, the shares yield 4.5 per cent, which reflects the emphasis on the growth aspect of the company.

and the strength of the pound have continued to affect both home and overseas markets.

However, SPC recently has been awarded the major part of the printing of the TV Times, which will be carried out at five of its companies for a seven year term from August, 1981. The most substantial part will be performed at Sun Printers.

In addition, the Sunday Times contract has been extended to involve section production which will enable much larger output supplements to be produced from January, 1981. The effect of these two contracts at Sun Printers is expected to transform this company's results which has been loss making since 1974.

BPC has a large fixed asset base and, as and when general economic conditions recover, there should be a marked improvement in results, Mr. Robinson states.

He explains that in view of the recent interest in the BPC shares and the worsening recession, the board decided to bring forward the interim announcement as early as possible so that shareholders can be made aware of the group's latest position. Last year's interim statement was made in September.

Members are told that BPC

has been advised by the Office of Fair Trading that the recent acquisition by Pergamon Press of a 28.4 per cent interest in the group's shares constitutes a merger, qualifying for reference under the Fair Trading Act 1973 and is being investigated.

External group sales for the 26 weeks improved from £91.26m to £98.55m. The group's printing side incurred a turnaround from profits of £1.69m to a loss of £1.08m, while the loss from publishing surged from £150,000 to £1.85m. Packaging division profits dropped from £326,000 to £278,000.

26 weeks 26 weeks  
1980 1979  
Sales\* £98,553 91,261  
Trading losses 2,568 12,364  
Shareholder losses 30 122  
Interest charges 3,630 2,169  
Exceptional debts 219 156  
Loss before tax 6,537 160  
Tax charge 102 430  
Net loss 6,639 370  
Minorities credit 136 179  
Profit dividends 75 75  
Exchange gains 48 578  
Net loss 6,530 1,302  
\*Including intergroup. †Profits  
Deduct: 1980 1979  
No closure decisions had been taken before June 28 and these costs will therefore be dealt with as extraordinary items in the second half, as will the surplus upon the sale of the Jane's Publishing business.

Lex, Back Page

## Imry moves over £1.2m at year-end

WITH second half pre-tax profits of Imry Property Holdings, advancing from £471,035 to £643,645, figures for the full year to March 31, 1980, are up from £750,035 to £1.22m. At half-way, taxable profits were £299,000 higher at £578,000. Gross income was higher at £2.17m compared with £1.56m.

The pre-tax figure is struck after administration and finance charges amounting to £921,110 (£796,171).

Stated earnings per 25p share are up from 8.4p to 12p, and the final dividend is raised from 4p to 5p for a total of 7.5p (5.2p) net.

The board is of the opinion that the aggregate value of the group's properties as at March 31, 1980, together with the investment in the associate company, exceeds the book values by approximately £43.4m.

## Liggett ahead in second quarter

RESULTS of Liggett Group, the U.S. concern which has been acquired by Grand Metropolitan, show an improvement in operating income from \$19.86m to \$21.81m for the second quarter of 1980. Only one month of these three, from June 1, will be incorporated in Grand Met's accounts.

Income for the corresponding period last year was struck after charging the \$7.2m costs of consolidating the group's domestic cigarette operations.

Net earnings were well ahead at \$22.88m (\$6.13m) after a number of extraordinary items arising to a large extent from the acquisition.

Corporate expenses of \$19.64m (\$8.09m) included after-tax charges of \$13.85m (\$6.47m) and interest of \$3.74m (\$4.5m). The sale of Austin, Nichols and Co. to Pernod Ricard on May 5, produced a gain of \$34.9m, or \$22.8m after tax. Interest income amounted to \$2.59m (\$120,000) and other income \$1.14m (\$74,000 loss), including a \$1m pre-tax gain on the purchase of debentures to meet future sinking fund requirements.

The operations of Leuch Industries, purchased in March for \$8.6m, are included in the accounts from the date of purchase but their effect is not material.

Net sales slipped from \$265.90m to \$261.11m, of which Austin, Nichols contributed \$4m against \$11m.

Operating income was also struck after expenses of \$65.69m (\$63.69m) and cost of goods sold, \$173.61m (\$175.19m).

After the inclusion of retained earnings from the beginning of the period of \$317.91m (\$263.25m) and deducting the cost of dividends, there is a balance of \$335.11m (\$283.8m).

## Slump in domestic demand puts Automotive 60% lower

A SHARP fall off in domestic demand and high interest rates are blamed for the severe drop, as forecast, in pre-tax profits of Automotive Products, vehicle and aircraft equipment manufacturer, in the 26 weeks to June 27, 1980, taxable profits dived 60 per cent from 7.88m (25 weeks) to £3.17m, although sales advanced from £98.01m to £116.08m.

The fall off in demand was mainly in the second quarter, says the board, and other adverse factors were the pressures on export margins resulting from the hardening of sterling and the rising U.S. inflation rate.

Direct exports amounted to £26.4m compared with £22.2m. Although new original equipment business from continental Europe continues to come on stream, the depressed state of the minor industry throughout EEC countries and North America is reflected in relatively low manufacturing levels in all the group's automotive factories.

The board says action is continuing to adjust manpower levels and organisation structures to the reduced level of activity which is foreseen as continuing through to the end of the present financial year.

They say, however, that there are some indications that the sharp downturn in replacement parts demand, which commenced in April as wholesalers and re-

tailors alike slashed stockholdings in the wake of soaring interest rates, may be coming to an end.

Interest in the new AP automatic transmission design is running at a high level and detailed development has now begun on specific new model applications in conjunction with the design engineers of the vehicle manufacturers concerned.

There was a nil tax charge in the first half compared with £1.16m last time. The interim dividend is unchanged at 1.5p—last year's total was 3.1788p from pre-tax profits of £12.63m.

● comment

On an historic yield of 7.5 per cent at an unchanged price of 62p yesterday, the market has been betting quite heavily on a maintained dividend from Automotive Products. The interim results are as unpleasant as expected and probably represent a small loss on a current cost basis. The problems, serious as they are, are well enough known.

AP is probably working slightly below break even point or at about 80 per cent of capacity and is operating a four-day week in the manufacturing divisions. The cost of around 1,000 redundancies will be born in the second half and the replacement parts market, about 60 per cent of total sales, stands little or no chance of picking up without a

cut in interest rates. AP is looking for such a fall in the fourth quarter but it is holding out little or no hope of a quick recovery elsewhere. And yet the £20m capital spending target will be hit, the Board is expecting a £14m cash outflow this year and what was a rather strong balance sheet will be 40 per cent geared, or more, come the year end. First half interest costs were about £5m. For all that, AP is acknowledged to hold attractive medium term prospects, especially in automatic transmissions, and the result of good, tight, management has been to shift the sales base substantially out of the domestic OE market. Investors face the alternative of holding on for recovery or lightening holdings now with a sharp eye for lower price purchases in, perhaps, 12 months time. The message, however, for income funds is fairly clear.

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PRE-TAX PROFITS for Squirrel Horn, the sugar confectionery, toffee and chocolate manufacturer, fell by £137,711 to £180,188, compared with £317,597, for the half-year to June 30, 1980, after depreciation of £75,278, against £81,610.

Turnover was £3m (£3.04m) and tax took £93,698, compared with £165,310. The interim dividend is held at 0.75p net. Last year's final was 1.0625p, and pre-tax profits totalled £381,000.

Spain	Price	%	+ or -
August 14			
Banco Bilbao	246		
Banco Central	248		
Banco Exterior	212		
Banco Hispano	224		
Banco Ind. Cat.	120		
Banco Madrid	141		
Banco Santander	276		
Banco Urquijo	139		
Banco Vizcaya	208		
Banco Zaragoza	215		
Dragnados	104	+1	
Espanoliz Zinc	63		
Fecsa	83		
Gai. Preciados	24	+0.5	
Hidrova	68.2	+0.5	
Iberpuro	61	-0.2	
Petroleros	112		
Petrolinor	87		
Sogefisa	107		
Telefonos	58.5		
Union Elect.	68	+0.5	

## Ultramar: achievement and expansion



### Review of Ultramar Group financial results and operations for the six months to 30th June 1980

#### Summary of financial results

	First six months 1980 £ million	First six months 1979 £ million
Sales	450.8	403.9
Operating profit before taxation	60.0	23.8
Operating profit after taxation	36.0	13.9
Net profit	36.8	16.0
Cash flow from operations	46.2	22.7

The Ultramar Group financial results continued to be excellent despite a decline in sales volume. For the first half of 1980, we had sales of £450,800,000, an operating profit before taxation of £60,000,000 and a net profit after taxation and foreign exchange fluctuations of £36,800,000. Since most of the Group's earnings are in US and Canadian dollars the reported results have been adversely affected by the strength of sterling when measured against dollars.

About 45 per cent of our first half Group profits came from Indonesian operations. The Canadian and US refining and marketing divisions also did well.

We are proceeding with the sophistication of the Quebec Refinery by construction of a catalytic cracker and

related equipment at an estimated cost of Can.\$150,000,000. The new equipment is expected to come on stream at the end of 1982.

We have joined a number of different groups of companies which have applied for a total of 12 blocks in the Seventh Round of licence applications in the North Sea, English Channel and South Western Approaches. Results of the applications are expected to be announced before the end of the year.

We are proceeding with a ship construction programme and as a first step have agreed to construct two 75,250 ton oil-bulk-ore carriers in the Puerto Real Shipyard in Spain under suitable credit arrangements.

Over the last 12 months, the Group has

repaid considerable long-term debt. The Convertible Redeemable Preferred Shares issued in 1976 have been entirely converted into Ordinary Shares, of which there are now 106,770,621 in issue.

We expect to continue to do well in the second half of 1980. The Board has declared an interim dividend of 4p per share (1979, 2½p) on the Ordinary Shares. The dividend will be paid on 7th November 1980 to shareholders on the register on 3rd October 1980.

Campbell Nelson

Campbell Nelson  
Chairman

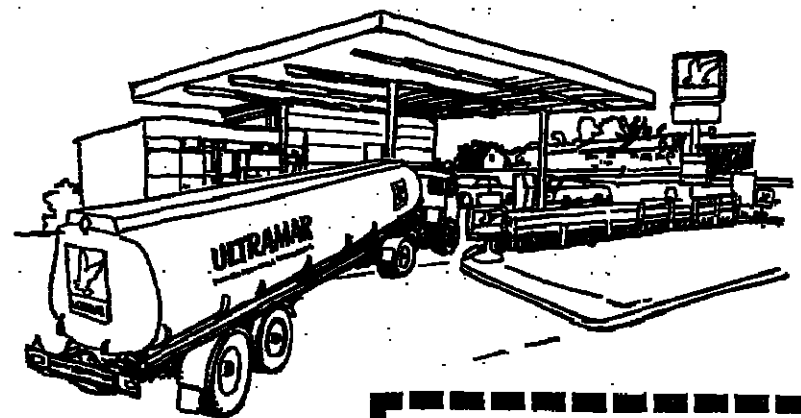
14th August 1980

#### Consolidated profit and loss account

	First six months 1980 £ million	First six months 1979 £ million	Year 1979 £ million
Sales	2450.8	2403.9	21,001.7
Profit on trading	67.2	31.0	106.4
Amortisation, depreciation, depletion and amounts written off	7.2	7.2	15.5
Elimination of remaining unamortised costs in Iran	—	—	15.5
Operating profit before taxation	60.0	23.8	75.4
Taxation on operating profit	18.5	5.1	15.6
Current	5.5	4.8	14.5
Deferred	24.0	9.9	30.1
Operating profit after taxation	36.0	13.9	45.3
Foreign exchange fluctuations	0.8	2.1	1.5
Net profit	36.8	16.0	46.8
Convertible Redeemable Preferred Shares dividends including Advance Corporation Tax written off	0.1	0.7	1.3
Earnings attributable to Ordinary Shareholders	236.7	215.3	245.5
Cost of Ordinary Shares dividends			
1980 — Interim 4p per share (1979 2½p)	4.3	2.3	2.3
1979 — Final 5p per share	—	—	4.6
Advance Corporation Tax written off	1.8	1.0	3.0
	26.1	23.3	29.9
Cash flow from operations	246.2	222.7	286.3
Fully diluted earnings per Ordinary Share	24.5p	15.1p	44.1p

#### Operating results

	First six months 1980	First six months 1979
Sales of oil (barrels per day)	205,000	275,000
Oil refined (barrels per day)	77,500	92,500
Oil produced (barrels per day)	8,700	10,100
Gas produced (thousands of cubic feet per day)	173,500	168,700
Gross wells drilled	31	17
Oil and gas wells completed (in which the Group has varying interests)	25	14



**Ultramar**

Please send me a copy of the full Review of Group financial results and operations for the six months to 30th June 1980.

Name \_\_\_\_\_  
Address \_\_\_\_\_

To: The Secretaries, Ultramar Company Limited,  
2 Broad Street Place, London EC2M 7EP.



## BANK RETURN

	Wednesday August 13 1980	Increase (+) or Decrease (-) for week
<b>BANKING DEPARTMENT</b>		
Liabilities		
Capital	14,553,000	778,270
Public Deposits	32,406,827	244,645,988
Special Deposits	420,636,856	23,694,054
Bankers Deposits	664,939,589	676,526,664
Reserve & other Accounts	1,132,536,271	676,526,664
ASSETS		
Government Securities	635,059,064	772,135,000
Advances & other Accounts	320,888,001	106,135,415
Premises Equipment & other Seca.	159,758,228	5,156,928
Notes	16,542,637	7,355,446
Coin	308,341	12,705
	1,132,536,271	676,526,664
<b>ISSUE DEPARTMENT</b>		
Liabilities		
Notes Issued	10,275,000,000	75,000,000
In Circulation	10,258,457,363	67,644,554
In Banking Department	16,542,637	7,355,446
ASSETS		
Government Debt	11,015,100	281,559,874
Other Government Securities	8,530,203,890	356,339,874
Other Securities	1,735,781,010	75,000,000
	10,275,000,000	75,000,000

Advance  
by Assam  
Trading

Trading loss of Assam Trading (Holdings), investment holding company, was up slightly from £40,000 to £47,000 for the year ended March 31, 1980. Including a higher contribution of £1.57m, against £1.45m, from its associate, McLeod Russel and Co., pre-tax profits moved ahead by £0.11m to £1.52m.

Attributable profits increased from £145,000 to £173,000 and earnings per 10p "B" share were up 3.44p to 29.74p. The dividend per "B" share is raised to 1.25p (adjusted 1p).

The dividend is payable only on the 6m "B" shares in issue immediately prior to the increase in share capital, following the acquisition of Learmonth Property Investment Company and County Properties in May.

As the company has "close" status, application for shortfall clearance in respect of the proposed dividend on the "B" shares will be made.

Astra sells offshoot to  
Bodycote for £690,000

Astra Industrial Group is making a start with its plan to withdraw from the engineering industry by selling its metal finishing division to Bodycote International.

Bodycote, which is in the process of moving away from its involvement in the textile field, is to pay £690,440 for the Zinc Alloy Rust-Proofing subsidiary. In 1979/80 this division, with net tangible assets of £390,440, contributed profits of £19,713 to a group total of £801,805, before interest of £330,722.

Also announced yesterday was the sale and leaseback of the Queen's Road Aston factory for £1 mnet in cash. The company said that the proceeds of both sales be used to eliminate bank borrowings.

The group's profit (showing a reduction from £1.04m in 1978/79) was hit by the steel and engineering strikes. Announcing this result last month the company said that negotiations for the sale of a subsidiary were at an advanced stage and this and other similar transactions would result in substantially reduced bank borrowings and a distribu-

## BIDS AND DEALS

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are in the offing or the sub-division of the assets are based mainly on last year's timetable.

**TODAY**

Interim—Coral, Gaskell Broadloom, Nelson (P&W).

Finals—David Dixon, Gold Fields of South Africa, Phoenix Timber, Pico.

**FUTURE DATES**

Interim—London United Investments, Sept. 3; Sale Tinsley, Sept. 25; Weir Group, Sept. 3.

Finals—Conson (F.), Aug. 21; Dale Electric International, Aug. 21; Forward Technology, Oct. 17.

Mr. Dennis Dukes, chairman said yesterday, that the disposals were equal to the group's market capitalisation prior to the news of the sales. At yesterday's price of £15p, up 1jp, the equity is valued at £1.94m.

The company said that over the longer term shareholders should benefit directly from the further reduction in the company's engineering interests. The group also intends to continue to develop its property interests, while at the moment comprise nine industrial properties and two industrial unit estates at Aston and Rochdale.

Under the deal with Bodycote Astra will retain a dividend of £340,717 for the 18 months ended August 31. Following the sales Zinc Alloy will continue to lease the four properties owned by Astra at a total unchanged rental of £54,200.

The Queens Road premises are presently occupied by Astra's wholly owned subsidiary Cressall Manufacturing. Following the sale Cressall will continue to lease the property at an annual rental of £80,000.

## BOC

BOC International Ltd  
Group results, unaudited, for the  
nine months to 30 June 1980:

	Nine Months to 30.6.80	Nine Months to 30.6.79	Year to 30.9.79
Sales	£million 907.8	£million 924.1	£million 1,229.0
Operating costs	757.7	777.4	1,031.6
Depreciation	150.1	146.7	197.4
Group share of associated companies' profits less losses	64.9	60.1	77.3
Trading profit	85.2	86.6	120.1
Interest	4.1	3.3	4.5
Profit before tax	89.3	89.9	124.6
Tax	41.6	38.5	51.9
Profit after tax	47.7	51.4	72.7
Minority interests	18.0	23.5	28.1
Earnings	29.7	27.9	44.6
	5.5	4.6	7.6
Earnings per share (net basis)	7.40p	7.16p	11.39p

If depreciation had been charged on historical cost rather than replacement cost, Group results would have been:

Profit before tax £71.0m £69.4m £94.9m

Earnings per share (net basis) 14.17p 12.86p 17.76p

Third quarter results were affected by a sharp downturn in the US economy and by lower trading activity in the UK. The impact on profits was most dramatic in the Group's US and UK welding and carbon businesses. In spite of lower profits from its US gas business, profits in the Group's total gas business were ahead of 1979. The Group is currently engaged in programmes in a number of its continuing businesses, aimed at major improvement in productivity and cost reduction. These programmes, which involve plant shut downs and relocations, as well as redundancies, have resulted in exceptional costs in the current year, which have been charged against the above profit.

The Groups also engaged in a programme to sell or liquidate a number of product lines and businesses, which either fall outside of the Group's long term strategy or have poor prospects. A provision of some ten million pounds has been made to cover the anticipated costs of these sales or liquidations; this will be shown in the annual accounts as an extraordinary charge.

## Trading Profit

The regional pattern of trading profit is as follows:-

	Nine Months to 30.6.80	Nine Months to 30.6.79	Year to 30.9.79
Europe	£million 24.2	£million 22.7	£million 31.4
Africa	12.7	10.3	14.9
Americas	35.3	41.6	56.1
Asia	1.1	1.2	1.7
Pacific	16.0	14.1	20.5
	89.3	89.9	124.6

**Profits Before Tax**

In comparison with the corresponding nine months of 1979, profit before tax for the nine months ended 30 June 1980 was adversely affected by:

i) Extra depreciation of £2.6 million on new classes of assets revalued since 1st October 1979, which were previously stated at original cost; ii) £2.5 million due to changes in exchange rates (US\$ rate 2.36; 1979-2.18) at £7.0 million due to higher interest rates; but benefited from a reduction in interest of £3.9 million due to lower borrowings.

**Current Cost Accounting**

The above results are prepared on a modified historical cost basis, in that almost all the Group's fixed assets are now stated at net replacement cost, and depreciation is charged accordingly. For the nine months ended 30th June 1980 profits before tax (as calculated on full CCA basis (including adjustments for monetary working capital and gearing) would have been £46.8 million.

## Condensed balance sheet, unaudited, as at 30 June 1980:

	At 30.6.80	At 30.9.79
Shareholders' funds	£million 570.9	£million 516.3
Minority shareholders' interests	71.5	64.0
Deferred tax	14.8	12.0
Long-term liabilities	23.8	24.2
Net borrowings and finance leases	480.0	451.3
	1,161.0	1,067.8
Fixed assets	864.5	808.0
Associated companies and investments	27.8	25.4
Working capital (excluding bank balances and short-term loans)	268.7	234.4
	1,161.0	1,067.8

For further copies of this report write or phone Investor Relations Dept. BOC International Ltd, Hammersmith House, London W6 9DX. Tel: 01-748 2020.

## SYMONDS ENGINEERING CO.

## Record Turnover

The thirty-third Annual General Meeting of Symonds Engineering Co. Limited was held on August 14 in London. Mr. G. A. Rowley (Chairman) presiding.

A record turnover of £2,529,049 compares with £2,176,821 for the previous year with net profit, before taxation, of £207,870 as compared with £221,492.

These results are disappointing when considering the record turnover achieved, but I am certain the shareholders are well aware of the struggle that industry is experiencing in trying to control the inflationary increases in manufacturing costs, both direct and indirect, parallel with the difficulty of obtaining compensating price adjustments due to the current competitive market conditions.

The recommended total ordinary dividend for the year is 15.7%—gross equivalent 22.429% (1979 22.415%). The profit retained for the year amounted to £10,184 and the Revenue reserves now stand at £460,581.

At present our order book is holding up reasonably well, but having regard to the difficult times that may lie ahead in the national economy, our objective for the current financial year is to try and maintain a level of profit comparable with those shown in the accounts.

## COMPANY ANNOUNCEMENT

East Rand Proprietary Mines, Limited  
(Incorporated in the Republic of South Africa)  
A Member of the Barlow Rand GroupMODERNISATION OF MINE, EXPANSION OF SCALE OF  
OPERATIONS AND PROPOSED RIGHTS ISSUE

**Modernisation of Mine, Expansion of Scale of Operations**

The company's technical advisers, Rand Mines Limited, have completed an investigation of the long-term potential of the company's mine. This investigation has revealed that:-

- there is sufficient ore in situ in the mine to support mining operations for at least the next 25 years, provided the gold price received averages U.S. dollars 600 per fine ounce in real terms for the foreseeable future;
- a modernisation programme involving the sinking of new shafts, the development of new airways, the installation of refrigeration plants and the improvement of amenities for employees is essential to put the mine on a sound operating basis as an ultra-deep level mine to exploit the ore reserve;
- profitability will be significantly improved if the scale of operations is increased from 245 000 tons to 325 000 tons milled per month;
- the capital expenditure required for the modernisation programme and the increase in the scale of operations is estimated at approximately R300 million in escalated terms, over the next five years;
- at an average gold price of dollars 600 per fine ounce in real terms, the technical advisers estimate this capital expenditure can be funded from internal sources.

The directors have accepted the recommendation to proceed with the modernisation of the mine and the expansion programme and consider that it is essential that the mine should be able to proceed with these programmes unhindered by temporary downturns in the gold price. To put the mine in a financial position to cope with this possibility, the directors have decided to proceed with the rights issue, of ordinary shares with options, described below.

The directors are of the opinion that in terms of the above-mentioned plan and gold price assumption it should be possible to maintain a dividend of at least 380 cents per share per annum during this development phase.

## Proposed Rights Issue

The board of directors proposes that the company raises R47 520 000 by way of a rights issue of new shares of R1 each in the ratio of 40 new shares for every 100 shares held. The new shares will be issued at a price of R30 per share and will rank for the final dividend of the company to be declared in December 1980.

Attached to the new shares will be detachable options to subscribe for shares in the company on 3 January 1983 or on 2 January 1984 or on 2 January 1985. There will be 1 option for every 4 new shares issued in terms of the rights issue.

Each option will be to subscribe for 1 share, at a price of R40 per share. The company will therefore raise an additional R15 840 000. In the absence of unforeseen circumstances, the directors do not anticipate that any further capital will have to be raised to complete the full capital expenditure programme.

Non-residents of the Rand Monetary Area may use blocked/financial rand:-

- to subscribe in terms of a Letter of Allocation issued to non-resident members in terms of the offer;
- to purchase Letters of Allocation on the Johannesburg Stock Exchange;
- blocked/financial rand may not be used to subscribe for the shares in terms of a Letter of Allocation which has been purchased.

Details regarding the procedure to be followed by holders of share warrants to bearer will be advised in a further announcement.

It will be necessary to increase the authorised share capital of the company and therefore a notice convening a general meeting of the members of the company is being prepared and will be posted to members as soon as possible. Following approval by the general meeting of the increase in share capital the rights offer will open in the first half of October 1980. A full announcement giving the relevant dates will be made at that time.

BARCLAYS NATIONAL MERCHANT BANK LIMITED

Johannesburg (Registered Merchant Bank)  
14th August, 1980 (Incorporated in the Republic of South Africa)

Albright & Wilson Ltd  
1980 HALF YEAR RESULTS

Although sales and operating profit were well ahead of the results in the first half of 1979, which was affected by strikes, profit before taxation was lower because of a rise in interest charges. The results were affected by the further strengthening of sterling, the growing effect of the general recession in trade, and the cost of severance payments under a programme of reductions in employee numbers now proceeding in the UK.

	1979 1st 6 months	1979 2nd 6 months	1980 1st 6 months
177,899	207,823	Sales	218,049
11,340	12,578	Operating Profit	14,149
1,589	3,370	Interest payable less received	5,125
9,751	9,206	Profit Before Taxation	9,024
1,735	1,595	Taxation	2,317
196	125	Minority Interests	219
7,820	7,486	Profit Attributable to Stockholders before extraordinary items	6,488

- Taxation comprised: UK nil (1979: £54,000) Overseas £2,317,000 (1979: £1,681,000)
- Extraordinary losses amounted to £1,256,000 (1979: £1,290,000), mainly a decrease in the sterling value of overseas fixed assets less long-term liabilities.
- An interim dividend of 3.35p per stock unit (£3,990,000) was paid in February 1980 on the ordinary stock (1979: full year 10p per stock unit: £11,912,000).
- The first half year preference stock dividend has been waived, as in 1979.

ALBRIGHT & WILSON International in chemicals  
1 Knightsbridge Green, London SW1X 7QD.

Deadline for  
Lonrho's £35m  
rights issue

Shareholders of Lonrho, the international trading conglomerate, wishing to subscribe to the group's £35m rights issue will have to do so by 3 pm this afternoon, at which time the offer expires.

The bulk of the issue, through which Lonrho is offering one new share at 80p for every five shares which are held by shareholders, has been personally underwritten by Mr. Tiny Rowland, Lonrho's chief executive.

Lonrho directors are taking up the rights offer which they are entitled to through their own beneficial shareholdings and other interests, which represent 14.2 per cent of Lonrho's present issued share capital.

Since the announcement of the cash call to shareholders, Lonrho's shares have fallen from 110p to 81p.

So far, Gulf Fisheries, the Kuwait-controlled investment group, has not retained its allotment from the current rights issue. As a result, Gulf's 19 per cent stake has been diluted to just under 16 per cent and Mr. Rowland has become the largest shareholder with 16.4 per cent.

Lonrho refused to comment yesterday on reports that rich Arab interest is seeking to buy Lonrho's 29.99 per cent stake in House of Fraser. "We have nothing to say," said Mr. Paul Spicer, a Lonrho director.

On the London stock market House of Fraser's shares rose 4p to 147p.

## LAMONT/MCCLEERY

Lamont's offer for McCleery has now been accepted in respect of 1,189,702 ordinary (95.22 per cent) and 8,946 preference (88.46 per cent). During the offer period Lamont acquired 450,000 McCleery ordinary. Both offers have been declared unconditional and remain open for further acceptances.

## JAMES FISHER

Industrial and Commercial Finance Corporation told 420,000 shares in James Fisher and Sons on August 5, leaving holding of 2.25m shares including some shares registered in name of sub-ship, Mortgage Finance.

## HIGSON'S BREWERY

The reported disposals of 50,000 Higgs Brewery shares in the name of Mr. G. L. Corlett and Mr. D. B. Corlett, directors, on August 12, registered in the name of Westminster (Liverpool) Trust Company relates to one sale only of 50,000 shares.

## GLANVILL ENTHOVEN

Matheson and Co. wholly owned UK subsidiary of Jardine Matheson and Co. of Hong Kong, and of Charterhouse Group, states the acquisition of Glanvill Enthoven and Co., the insurance broking subsidiary of Charterhouse, has been completed.

## LONDON TRADED OPTIONS

	Dec.		Jan.		April	
Option	Ex-rose	Closing	Vol.	Closing	Vol.	Closing
	price	offer		offer		offer
BP	300	42	—	80	—	—
BP	330	40	—	80	1	70
BP	360	23	—	42	—	50
BP	390	11	4	27	—	—
Com. Union	120	39	—	40	10	—
Com. Union	130	29	5	31	—	—
Com. Union	140	20	3	24	—	28
Com. Union	150	8	25	15	2	17
Cons. Gold	500	53	2	68	—	80
Cons. Gold	550	28	22	42	—	62
Courtaulds	60	9	—	11	5	14
Courtaulds	70	3 1/2	—	6 1/2	5	8 1/2
GEC	460	59	7	74	—	84
GEC	500	27	30	50	70	1
Grand Met.	140	17	4	27	—	—
Grand Met.	160	6	26	15	18	—
ICI	420	2	1	—	—	—
Land Secs.	25	26	—	45	7	5
Marks & Sp.	30	14	—	17	—	21 1/2
Marks & Sp.	100	7	—	11	10	1
Marks & Sp.	200	3	—	38	—	10 1/2
Shell	420	31	1	38	—	50
Shell	460	9	—	22	45	30
Totals			135		45	81

		August	November	February			
Imperial Gp.	80	2	2	5 1/2	—	8 1/2	—
Lonrho	84	2	11	16	—	19 1/2	—
Lonrho	88	4	—	17 1/2	30	16 1/2	—
Lonrho	104	1 1/2	—	7 1/2	27	11 1/2	2
Lonrho	114	3 1/2	—	4	15	7 1/2	10
P & O	130	25	—	6	10	12 1/2	10
Racal Elec.	260	59	28	69	—	80	18
Racal Elec.	280	19	8	37	—	49	—
Racal Elec.	300	5	41	24	—	45	—
Racal Elec.	320	3	—	14 1/2	2	28	1
RTZ	420	50	10	75	—	80	—
RTZ	500	2	97	18	6	40	1
Totals			97	100	100	23	1

## EUROPEAN OPTIONS EXCHANGE

Series	Vol.	Oct. Last	Vol.	Jan. Last	Vol.	April Last	Stock
ABN C	F.300	16	25	—	—	—	F.324
ABN C	F.350	17	8	1	9	2	11 F.324
AKZO C	F.22.50	18	1.10	51	2	3	F.22.70
AKZO C	F.25	55	0.20	5	0.70	—	—
AKZO C	F.22.50	—	—	—	—	25	1
AMRO C	F.55	15	2.30	—	—	—	—
AMRO C	F.55	6	14.20	—	—	—	F.56.50
AMRO C	F.55	10	1.30	—	—	—	—
AMRO C	F.70	81	1.40	—	—	—	—
HEIN C	F.55	7	3	—	—	—	F.57.20
HEIN C	F.55	22	1.70	2	1.50	3	4
HEIN C	F.55	—	—	6	—	—	—
HEIN C	F.70	—	—	100	0.40	—	—
HEIN P	F.55	20	1.40	—	—	—	—
HEIN P	F.55	3	3.50	—	—	—	—
HEIN P	F.70	1	13.50	—	—	—	—
HOOG C	F.15	2	2.10	—	—	—	F.15.50
HOOG C	F.20	—	—	50	0.90	—	—
HOOG C	F.22.50	3	0.10	—	—	—	—
IBM C	370	—	—	—	—	8	4 1/2 36
IBM C	375	4	—	—	—	—	—
IBM C	F.70	37	1.70	—	—	—	—
KLM C	F.60	6	0.50	1	2.80	22	—
KLM C	F.60	4	1.90	4	3.20	—	—
KLM C	F.70	3	5.80	—	—	—	—
NAT C	F.104.50	4	12.20	—	—	—	F.105.50
NATN C	F.120	—	—	9	3	—	—
NATN P	F.110	—	—	2	2.20	—	—
NATN P	F.120	10	6	12	7	—	—
PHIL C	F.175.50	99	1.10	4	1.50	67	1.90 F.176.50
PHIL C	F.240	587	0.30	212	0.60	144	0.90
PHIL C	F.175.50	85	2.80	212	0.60	10	0.80B
PHIL P	F.175.50	29	92	25	2.50	18	2.30B
POLA C	330	5	1 1/2	—	—	2	2 1/2 32
QUE C	F.150	2	20.60	—	—	—	F.151.50
QUE C	F.150	3	1.10	5	12.50	—	—
QUE C	F.170	65	4.70	35	5.50	—	—
QUE C	F.180	111	1.60	9	—	—	—
QUE P	F.180	159	0.50	3	1.50	—	—
QUE P	F.180	85	2.80	5	6.20	—	—
QUE P	F.180	5	15.50	—	—	—	—
QUE C	F.115	10	0.90	—	—	—	F.116.50
QUE C	F.130	10	2.50	—	—	—	—
BOEI C	335	2	3 1/2	Nov.	—	Feb.	—
BSAF C	DM.140	5	0.20	5	3.10	—	DM.141
SAZ C	335/061	3	3 1/2	—	—	—	DM.141
SLUM C	8100	7	40 1/2	—	—	—	81 1/2
SLUM C	8100	—	—	—	—	7	32
SLUM C	8120	8	10 1/2	—	—	20	18
SLUM C	8130	—	—	—	—	—	—
SLUM C	8140	—	—	8	5 1/2	—	—
VEBA C	DM.180	17	1.80	—	—	—	DM.181
VEBA C	DM.180	—	—	3	2.50	—	DM.181
TOTAL VOLUME IN CONTRACTS							9470



مركز التمويل

NOTICE OF REDEMPTION TO HOLDERS OF LANCASHIRE COUNTY COUNCIL \$30,000,000 9½% BONDS 1978/81

NOTICE IS HEREBY GIVEN \$6,651,000 aggregate principal amount of the Bonds bearing the serial numbers listed below have been drawn for redemption on 15th September, 1980 at the redemption price of 100% of the principal amount thereof pursuant to condition 5 of the terms and conditions of the Bonds. The \$849,000 balance of the 1980 Sinking Fund requirement has been satisfied by the delivery of Bonds acquired by the Authority as permitted by said condition 5. The redemption payment of each Bond drawn for redemption will become due and payable on 15th September, 1980 on and after which interest on each such Bond will cease to accrue.

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# electrocomponents limited

## 1980 RESULTS

Turnover increased 29% to £57m

Profits up from £10m to £13m

Earnings per share up  
from 26.86p to 35.69p

Total dividend 8.75p—against 6.5p  
in 1979

Another year of sound progress despite the adverse conditions which have affected industry. Nevertheless, the potential for expansion within the Group's distribution subsidiaries remains considerable.

Whilst the Group is not insulated from the effects of the present recession, further growth in the current year can be achieved. Overall increase in sales so far this year is encouraging, bearing in mind the constraints on expenditure throughout most of industry.

R. A. MARLER, Chairman

Copies of the full Report and Accounts for the year to 31st March 1980 are available from the Secretary, Electrocomponents Limited, 37/45 City Road, London EC1P 1HX.

Britain's biggest electronic components distributor



# Allied Arab Bank Ltd

## بنك الاتحاد العربي

### BALANCE SHEET AT 31st DECEMBER 1979

	1979 £	1978 £	ASSETS	1979 £	1978 £
SHARE CAPITAL & RESERVES			Cash, balances with bankers, money at call & short notice	22,925,556	18,931,703
Share Capital	15,000,000	15,000,000	Deposits with banks	69,297,554	51,120,347
Reserves	(748,318)	(347,521)	UK Government securities	319,653	498,781
	14,251,682	14,652,479	Loans and Advances	36,165,513	23,788,923
LOAN STOCK			Promissory Notes	3,000,000	4,000,000
10% Unsecured Loan Stock	100	100	Accrued interest receivable and other accounts	3,766,861	2,156,634
LIABILITIES			Deferred establishment expenses	102,068	204,129
Current and Deposit Accounts	120,765,372	86,644,238	Fixed Assets	2,672,723	2,614,361
Accrued interest payable and other creditors	3,232,784	2,018,261	Customers liability on acceptances	767,805	919,085
Acceptances	767,805	919,085			
	£138,017,543	£104,234,163		£138,017,543	£104,234,163

The fact that the Allied Arab Bank was included in the first list of recognised Banks published by the Bank of England confirmed it as a well-organised institution that had met the stringent requirements of The Banking Act 1979; this is important as the Bank has been in existence for only 2 1/2 years.

From our published Annual Report and Accounts we record with pleasure that over the last financial year our business has increased significantly as follows:

- Total Assets by 34%
- Deposits with Banks by 36%
- Loans and advances by 52%
- Funds raised by 40%

In its role as an international commercial bank, and through the medium of the London market, the Allied Arab Bank seeks to provide a bridge between the Western and Arab worlds. Its objectives are to attract custom and business not only from Arab investors at home in London but also from foreign companies conducting business with Arab countries. The attractions of such a bank to Arab investors whether they are resident in London or their home country are obvious, and are proven by the considerable success which the Allied Arab Bank Ltd. already enjoys.

Head Office:  
Granite House, 57-101 Cannon Street, London EC4N 3AD  
Banking - Telephone: 01-253 9111 Telex: 881340172  
Dealers - Telephone: 01-253 40869 Telex: 8812224  
Telegrams - Arabal London EC4

Park Lane Branch:  
121-122 Park Lane, London W1Y 3AD  
Telephone: 01-226 8474  
Telex: 285545  
Telegrams: Arabal London W1

# OFFSHORE OIL N L

## NOTICE TO SHAREHOLDERS

### EXTENSION OF TIME—1-FOR-2 SHARE ISSUE

Directors announce that in order to allow further time for United Kingdom and overseas shareholders to complete their entitlements to the 1-for-2 share issue, the closing date for receipt of acceptances has been extended to—

5 p.m. on FRIDAY, 29th AUGUST, 1980

Completed acceptances with the appropriate payment must be forwarded to reach the following address on or before the above final date:

CORPORATE COMPUTER SERVICES PTY. LTD.  
P.O. Box 4000, North Sydney, NSW 2060, Australia

### APPLICATIONS FOR FULLY PAID SHARES

Shareholders applying for fully paid shares must enclose their existing contributing share certificates so that fully paid certificates can be issued.

### CHANGES OF ADDRESS

Any shareholder holding valid share certificates who may not have received an Entitlement Form to the above issue should contact the company without delay. Please note that share certificates, paid to four cents on which the one cent call in 1977 was not paid, are invalid.

K. G. WILSHIRE, Secretary

## Companies and Markets

## UK COMPANY NEWS

### MINING NEWS

# Australian mining industry calls for leniency on tax

BY GEORGE MILLING-STANLEY

THE AUSTRALIAN Mining Industry Council has echoed a plea made earlier this year by the Chamber of Mines of South Africa for more liberal tax treatment of the industry.

In addition, the Australian body (known as AMIC) wants the Federal Government to ensure that its guidelines on foreign investment do not slow down the industry's rate of development by relying too greatly on the country's inadequate domestic capital accumulation.

In this field, as in the areas of international trade, legislation for the industry and environmental controls, with particular reference to the Aboriginal problems, AMIC is seeking greater clarity and an end to uncertainty.

On the question of taxation, AMIC has asked the Government to:

1. make mineral exploration expenditure an allowable deduction for all taxpayers;
2. make all capital expenditure associated with mineral development deductible;
3. allow capital deductions at a rate which recognises the vast sums now involved;

4. liberalise the tax treatment of losses;
5. reject proposals for "resources" or "secondary profits" taxes as discriminatory and counter-productive;
6. impose royalties at the lowest practicable level and on a more rational basis than at present.

With reference to exploration expenditure, AMIC points out that this is currently deductible only against income from mining, which it says discriminates against other taxpayers and thereby inhibits the diversification of other companies into mining.

On the issue of capital expenditure, AMIC emphasises that at present, the often substantial expenditure on infrastructure such as town construction at mineral ports is excluded from the available deductions.

As far as the treatment of losses is concerned, AMIC wants the authorities to permit the carrying forward of losses for taxation purposes for more than the present seven years, which it says is insufficient in many cases to allow for their subsequent offsetting against income.

AMIC would like to see these losses available for offset for an indefinite period, and also

seeks permission to carry back losses on mine closure for seven years. There is currently no provision for carry-back at all.

On the subject of royalties, AMIC concedes that it is impractical to advocate their abolition, and therefore would like to see them imposed at the lowest levels possible.

Turning to restrictions on foreign investment, AMIC recognises that the majority of the population wants to maximise Australian participation in the development of basic resources, but warns that "domestic capital accumulation is insufficient to meet developmental needs in all sectors, let alone a high risk sector of the economy."

Beyond that, AMIC argues the case for the abolition of export controls except in the case of minerals where defence or strategic considerations are paramount, and seeks amendments to the Aboriginal Land Rights (Northern Territory) Act.

These should include provision for financial compensation to be based solely on disturbance to land, and the retention by the Government of ultimate responsibility for decision-making on all matters related to the Act.

## Bougainville marks time

DESPITE the strength of gold and copper prices which lifted net sales revenue and overall income of Bougainville Copper to K179m (£87.2m) in the first six months of this year from K155.5m in the same period of 1979, the Kio Tinto-Zinc group's Papua New Guinea mine comes out with a little changed net profit for the period of K38m against K37.7m last time.

However, the interim dividend on the capital following the recent scrip issue and share consolidation is raised to 8 toea (5p). Last year's equivalent interim, after adjustment to the new capital, was 6.7 toea and the total for 1979 works out at the equivalent of 26.7 toea. Several factors have whittled down Bougainville's latest half-year income. Operating costs have risen, largely as a result of the higher cost of the mine's substantial oil requirements, while metal production has fallen as a result of the declining grades of ore mined as operations extend into the areas of lower mineralisation.

Then, too, the depreciation provision has been increased as a result of the revaluation of assets while the revaluation of the Papua New Guinea kina against the U.S. dollar—the currency in which the metal sales are priced—has resulted in lower income in terms of PNG currency.

As for the current half year prospects, copper is running at a little below the average for the first half and, depending on how the U.S. industry strike lasts, could ease in line with the current recession. Gold, on the other hand, is trading a little above the first half average and the betting is that it is likely to improve before the year is out.

Unless gold goes higher, however, Bougainville could be heading for lower profits in the current half although any fall will be cushioned by the fact that at present metal price levels the mine is liable to additional profits tax. After deducting 125p the shares closed a net 6p down at 120p yesterday following the latest results.

## Yet more gas at Woodada No. 2

PRODUCTION TESTS run at Strata Oil's Woodada No. 2 well in Western Australia's Perth Basin show that the acid stimulation at Woodada 2 has lifted daily production of natural gas to 32.5m cubic feet a day compared with an initial 3.3m cubic

feet, reports Stephen Thompson. Woodada 2 was drilled to determine the extent of the original Woodada field which flowed at a rate of 32.5m cubic feet a day following stimulation.

The well has also produced condensate at a rate of 35 barrels a day. Condensate production increased by 100 per cent using a smaller choke size.

The gas flow of 32.5m cubic feet was recorded through a one-inch choke at a pressure of 1,550 psi. Shut-in pressure was 2,843 psi.

The latest results duly confirm the Strata directors' optimism reported on Thursday. Clearly Woodada 2 illustrates a further extension of the gas reserves present in Woodada 1 and forecasts of a major new gas field seem likely to prove correct.

The latest news encouraged a further wave of support for Strata Oil and its associates in the discovery. Haoma Gold, with 16.8 per cent of Strata, rose 15 to 154p while North West Mining jumped 12 to 140p and Hampton Trust, which recently acquired a 3.5 per cent interest in licence EP-100, put on 2 to 72p. Strata Oil advanced 6 to 136p.

## ERPM seeks R47m from rights issue

THE MARGINAL East Rand Proprietary Mines, one of the oldest gold mines in South Africa, is planning to raise R47.5m (£36.6m) through a 40-for-100 rights issue at R30 per share. A further R15.5m will be raised by the issue of options in the ratio of one-for-four of the new shares at a price of R40 per share, writes Des Killalea from Johannesburg.

The cash is to be used to fund a R300m expansion programme covering the next five years. This will extend the life of the mine, which almost closed down in the mid-1970s, by a further 25 years. ERPM's production is scheduled to rise to about 30 tonnes a year from the current 12 tonnes.

ERPM, part of the Barlow Rand group, said yesterday that it expects to be able to maintain dividend payments during the time of heavy capital expenditure of at least 360 cents per share annually.

Rand Mines, advisors to ERPM, said that the expansion programme could be funded internally provided that the gold price does not fall below US\$500 per troy ounce. The rights issue is intended to protect the mine

from bullion falling as low as \$500 per ounce during the first years of the development.

## Fraser Island compensation may increase

IT IS reported from Canberra that the Australian Government is likely to increase its compensation offer to the U.S. Dillingham Corporation to between A\$8m and A\$10m (£3.9m-£4.5m) for the ban on the latter's mineral sands operations on Fraser Island in Queensland.

The Australian Attorney-General, Peter Durack was expected to submit his proposal to the Australian Government following discussions with the U.S. Attorney-General, Benjamin Civiletti. As reported here yesterday, Mr. Civiletti has said that the U.S. is seriously considering taking Australia to the World Court over the Dillingham compensation issue.

It dates from 1976 when the Australian Government of that time halted the mining project, a partnership between Dillingham and Australia's Murphys, on environmental grounds, only a few months after it had started up. The partnership (dubbed compensation of some A\$2m) but was offered only A\$4m and the bitter controversy has continued.

## Lithgow coal joint venture

THREE JAPANESE companies are negotiating with the Australia Electricity Commission of New South Wales to set up a joint venture to produce 2m tonnes of steaming coal a year from coal fields in the Lithgow district.

The companies concerned are Taiheyo Coal Development, Mitsui and C. Itoh. The plan calls for Taiheyo to hold 34 per cent of the venture, with the two trading houses holding 7.5 per cent each and the Commission the remaining 51 per cent.

Contracts are expected to be signed next month, with deliveries starting around 1984. In a separate development, Idemitsu, a leading Japanese distributor and refiner of oil, has announced plans to import some 500,000 tonnes of Australian coking coal during the current year for sale to domestic cement manufacturers. Idemitsu thus becomes the first Japanese oil company to take a major role in the country's growing coal import business, which has until now been the province of the major trading houses.

The three principal customers for the coal will be Chikibu Cement, Tokuyama Soda and Aso Cement. Idemitsu added that it hopes to expand the coal import business to supply power companies as well.

# Thorn EMI investment plans

Plans at Thorn EMI anticipate substantial investment in the coming years. Sir Richard Cave, chairman of this electronic, lighting and engineering group, tells members in his annual review.

This investment, he states, will be needed to provide the colour televisions and home video equipment for rental, establish the facilities required for the manufacture of video products, ensure that the accompanying software is available, "and add to our strength in our main strategic businesses."

Sir Richard says that it will be three or four years before the real benefits of the programme will be seen. However, the strong cash flow from the group's existing operations should continue and, with the action being taken in respect of certain operations not central to the group's main strategy, the gearing of borrowing should be held at about its present level. The group has made "strong representations" through the Department of Industry in respect of the plan to phase out 100 per cent capital allowances for television and video equipment for rental.

The implementation of the

proposed tax changes would have a damaging effect on future investment, on both colour television receivers and the new range of home video products," the chairman says.

As reported on July 12, a second-half upturn together with four months from EMI of £4.4m enabled the group to increase taxable profits, for the March 31 year, to £225.5m (£118.1m). External turnover amounted to £1.62bn (£1.21bn). The dividend is stepped up to 14.825p (13p) net per share.

Contracted capital expenditure, as at March 31, totalled £31.1m (£18m), and there was £13.5m (£4.2m) which has not been contracted for.

Sir Richard says that the main aims of the enlarged group are to play a leading role in meeting the requirements of the widening and expanding home entertainment industry, to have a strong engineering product group with interests in high technology, electronics, defence and other special areas, to support established mature business, and to increase the group's influence in international markets.

Meeting, Winchester House, EC, on September 12, noon.

## Reed Stenhouse over £10m at nine-month stage

PRE-TAX earnings of Reed Stenhouse Companies, the international insurance broking group, moved ahead from £9.64m to £10.27m in the nine months to June 30, 1980.

Stenhouse Holdings has a 53.7 per cent equity interest in the group, which is listed on the Canadian Stock Exchange.

Gross income amounted to £53.32m compared with £57.5m, of which £58.35m (£54.53m) came from commissions and fees. Investment, dividend and rental income provided the other £4.98m (£3.27m).

Operating expenses were up from £46.44m to £51.34m, and depreciation and amortisation of fixed assets cost £1.29m (£1.09m). Interest charges on long-term debts were down from £638,000 to £420,000.

After tax up from £4.71m to £5.38m, minorities of £74,000 (£58,000), and a reduction of intangible assets of £130,000 (£124,000), net earnings came out marginally lower at £4.83m compared with £4.89m.

There was an extraordinary credit last time of £1.11m which

pushed up the net earnings to £6.01m.

One of the major factors affecting results for the period was the strength of sterling.

Mr. W. M. Wilson, president and chief executive, says that despite the continuation of lower insurance premium rates produced by the Canadian, European and Pacific operations were good. Increased development expenses in the U.S. have, however, affected the overall figures.

The company says the results for the rest of the financial year and the year ahead could be affected by the state of the economies in the UK and U.S. Mr. Wilson adds, however, that the company continues to anticipate a satisfactory growth in earnings this year.

Net earnings before extraordinary item per class A share on a weighted average basis is 32.03p against 32.61p. A quarterly dividend of 14 cents per share has been recommended.

Stenhouse Holdings has declared an interim dividend of 1.82p (same)—last year's total was 4.52p.

## Grant Bros. loss but payout held

In the second six months to January 26, 1980, Grant Brothers incurred a pre-tax loss of £44,786, against profits of £61,445 last time. This left the department store group with a full-time deficit of £59,973, compared with £67,716 profits.

Turnover for the year was up from £8.71m to £9.78m and included VAT of £660,589 (£395,060) and leased department sales of £2.23m (£1.76m).

A final dividend of 2.36p (same) net maintains the total

payment at 3.882p per 25p share. There was a tax credit of £58,801 (£43,255 charge) including £50,700 in respect of deferred tax no longer required for stock relief, while extraordinary credits increased sharply from £5,581 to £118,750 representing the surplus on disposal of properties.

After a transfer from property revaluation reserve of £32,121 (nil), attributable surplus was well ahead from £30,042 to £147,599.



### Group results for 1979/80

	1980	1979
Sales	£4,493	£3,831
Trading profit	2,355	2,878
depreciation	1,075	1,012
interest	230	221
Pre-tax profit	1,050	1,645
Earnings per share	4.8p	8.0p
Ordinary dividends per share	2.0p	2.0p

Copies of the 1979/80 Report and Accounts can be obtained from the Secretary, Dearne Mills, Darton, Barnsley, S75 5NH.



# CASTINGS LIMITED

## MALLEABLE IRONFOUNDERS

	YEARS ENDED 31st MARCH		
	1980	1979	1978
Turnover	6,664,876	5,831,574	4,733,190
Profit before Taxation	976,437	1,098,502	782,284
	Pence	Pence	Pence
Earnings per share	0.07	0.08	0.06
Dividend per share paid	2.6	2.25	1.785

### EXTRACT FROM CHAIRMAN'S STATEMENT—

A satisfactory year's progress although there was a reduction in profit—This result was affected by the Engineers' Strike when production was reduced as we could not deliver to customers.

### NEW INVESTMENT—

No. 5 Foundry, the cost of which was £1.5 million, opened on 28th February, 1980, and is operating extremely well. In addition the re-equipment of our laboratories has been completed and the new Pattern Shop was opened in July 1979.

### FUTURE PROSPECTS—

More difficult to forecast the future now than in previous years marked falling off in orders and schedules. It was hoped it was due to customers destocking but at this date it points to a falling off in trade generally both at home and abroad.

It is evident that 1980/81 is going to be the most difficult year we have had to face but I believe we are well equipped as a company to meet the demands of the future.

Copies of the Report and Accounts for the year ended 31st March, 1980, may be obtained upon application to:

The Secretary, Castings Ltd., Lichfield Road, Brownhills, West Midlands, WS8 6JZ.

### JOINT COMPANY ANNOUNCEMENT

## AECI LIMITED (AECI)

## CHEMICAL HOLDINGS LIMITED (CHEMHOLD)

## DE BEERS INDUSTRIAL CORPORATION LIMITED (DEBINCOR)

(All of which are incorporated in the Republic of South Africa)

Agreement has been reached between AECI and Debinco in terms of which AECI will acquire 56 per cent of the issued share capital of Chemhold from Debinco in exchange for the issue of 1,725,000 new AECI ordinary shares. Debinco recently acquired this interest in Chemhold from associates.

The consideration represents fractionally more than one per cent of AECI's ordinary share capital and the transaction will have no material effect on the earnings or net asset values per share of either AECI or Debinco.

Other than certain appointments to the board of Chemhold, AECI does not intend to make any changes in the management or staff of the company. It is proposed to appoint Messrs. E. J. Smale and G. M. Thomas as additional directors and to propose the appointment of Mr. E. J. Smale as chairman of the board in place of Mr. W. J. Hefer, at the annual general meeting to be held on 9 October 1980.

Johannesburg  
15 August 1980

مكتبة النخيل











## Japanese trust banks in pension funds plea

By Richard C. Hanson in Tokyo

JAPANESE TRUST banks are lobbying for an exemption to official ceilings on their foreign currency positions which restrict their ability to invest pension funds in foreign securities. The Ministry of Finance, however, is for the time being against granting the trust banks any special exemption, mainly because officials believe that the year has yet to appreciate to levels "favourable enough to warrant an increased flow of yen into other currencies. There would also be some outcry from non-trust banks which would not benefit.

The trust banks are allowed, under Japanese regulations, to manage pension funds (the source of most of their long-term lending to Japanese corporations during the high-growth years) along with the insurance industry. At present these funds in the hands of the banks total about ¥4,500bn.

In May 1979 regulations were modified to allow these funds (up to 10 per cent of the total) to be invested in foreign currency denominated securities abroad.

The trust banks complain that they are held back from utilising the pension funds for overseas investment by the Ministry's limits on overall net foreign currency positions. These are set for each bank (including foreign banks operating in Japan), whereas insurance companies are not covered by such limitations. These ceilings, kept strictly secret by the authorities, are generally based on the actual amount of foreign currency business transacted by the bank. The trust banks apparently have very little room for expansion into foreign securities when the pension fund restrictions were lifted.

## Sharp rise at Sumitomo Chemical

By Our Tokyo Correspondent

SUMITOMO CHEMICAL, a leading diversified chemical maker, recorded a strong surge in profit and sales in the half year to June as a result of brisk exports of farm chemicals and strong demand at home for petrochemicals. The company intends to increase its annual dividend this year by 20 per cent to ¥5, despite an expected slowdown in the latter half. Net profit rose by 145 per cent to ¥6.7bn (\$28.78m), a record for a half-year. Sales were up 47.5 per cent to ¥371.8bn (\$1,675m) also a new high. The company predicts that demand for petrochemical products will turn downward during the present half-year, but is still expecting a 31 per cent over 1979 to about ¥720bn. Net profit is forecast at roughly the same as last year at around ¥11bn.

## Second-quarter setback for Philips

By Charles Batchelor in Amsterdam

PHILIPS, the Dutch electrical group, expects volume sales to increase this year by more than its earlier forecast of five per cent after a surprisingly buoyant first half.

However, profits for the six months show a decline—the shortfall for the second quarter extends to a full 33 per cent—and the reorganisation which is under way to improve profitability will only slowly start to show.

Progress so far this year has been "satisfactory" in the light of the general economic situation and the increase in the international competition, the board said. Particularly pleasing is the fact that sales increased in almost all product sectors.

Turnover rose 12 per cent in

cash terms in the six months ended June to F1 16.81bn (\$8.7bn) over the same period 1979. When the effect of new consolidations and de-consolidations is excluded, sales rose 10 per cent. In volume terms the increase was 7 per cent. Second quarter sales rose 11 per cent to F1 8.63bn.

In the industrial supplies and professional products and systems sectors the percentage increase in sales was more than 12 per cent. Western Europe, Africa and Latin America showed the strongest growth.

Costs have increased too quickly, however, for any substantial improvement in results in the short term, Philips warns. Trading profit fell 17 per cent to F1 855m (\$441m) in the half year and was equivalent to only

5.1 per cent of sales compared with 6.7 per cent. Second quarter profit fell by 33 per cent to F1 538m.

After tax profit also fell sharply to F1 253m in the January to June period from F1 337m last year, representing 1.5 per cent of sales against 2.2 per cent. Second quarter profit was F1 91m compared with F1 173m a year earlier.

At the net level, first-half profit fell 38 per cent to F1 234m representing 3.9 per cent of shareholders' equity, against 5.3 per cent a year earlier. Second quarter net profit was more than halved to F1 71m from F1 161m, representing 2.4 per cent of equity against 5.7 per cent. Net profit per share fell to F1 1.22 in the first half from

F1 1.74, while second quarter profit fell to F1 0.34 per share from F1 0.57.

Commenting on the lower results, Philips said the decline came in the television and radio sector, in industrial supplies and miscellaneous activities.

It made losses in the manufacturing sector, while selling prices of important categories of products came under pressure. Its manufacturing activities in the Netherlands showed a loss and this was largely responsible for the decrease of its trading profit within the EEC.

Stocks rose to 24.1 per cent of sales at the end of June from 33.2 per cent a year earlier. The group shed 1,600 of its workforce worldwide during the first half of 1980 taking it to 330,200.

## First-half advance for Sandvik

By Westerly Christner in Stockholm

SANDVIK, THE Swedish cemented carbide and steel group, reports a pre-tax profit of SKr 395m (\$95m) for the first half of 1980, ahead by SKr 74m over the same period in 1979. First quarter earnings amounted to SKr 240m.

Sales reached SKr 3.7bn over the half year, compared to SKr 3.18bn last year and SKr 1.8bn during this year's first quarter. Newly acquired companies accounted for SKr 82m of the half-year sales total.

The company expects full 1980 results to exceed 1979's pre-tax profit of SKr 603m by over 20 per cent in line with the forecast made at the end of March this year. However, second half earnings are expected to be lower than for the first due to the cyclical downturn in evidence in some markets of importance to the group, notably the U.S.

Sales are forecast to rise by 22 per cent for 1980, including SKr 500m from companies acquired during the year. The prediction of a 13 per cent return on working capital is unchanged. Profit per share is expected to reach SKr 38 compared to SKr 31 last year.

The largest sales increase by market region during the first half was recorded in Europe. Deliveries to EEC countries climbed by 26 per cent.

Sales of steel products accounted for SKr 1.1bn, a 25 per cent increase on the first half of 1979. Sales of cemented carbide products increased by 17 per cent, to SKr 1.9bn.

Investments in facilities and shares are expected to total SKr 65m for the year as a whole, compared to SKr 53m in 1979, of which SKr 280m will be spent in Sweden.

A casting plant for steel in Sandviken Sweden is expected to be the largest capital expenditure, costing SKr 120m and reaching completion during the latter part of 1981.

## German retailer to prune losses

By Kevin Done in Frankfurt

HERTIE, one of West Germany's largest retail stores, is expecting a loss of DM 30m this year, and senior company management admits that it is unlikely that the group will return to profitability before the end of 1982.

The company last made an after-tax profit in 1976. In 1979 it succeeded in cutting its losses to DM 48.4m from DM 59.5m in 1978, but fierce competition and sluggish sales growth are impeding recovery in 1980.

Hertie still faces serious structural problems. It is aiming to streamline the group by reducing the number of separate operating companies and by improving its consumer image. In addition, it faces a major challenge in increasing its ratio of sales per employee, which is lower than at most of its rivals, such as Karstadt and

Kaufhof. Herr Hans-Ludwig Grischow, Board member for personnel and organisation, said that Hertie intends to cut back its administrative and intermediate personnel in order to free extra resources for sales.

As part of this operation the company is planning to reduce the number of warehouses it runs nationally from around 100 at present to 37. The total workforce was trimmed by 6.4 per cent last year to 46,173, but the management still feels that the central administration is "top-heavy".

Hertie made barely any progress last year on the sales front, with group turnover rising only marginally. In the first seven months of 1980 sales have again gained little ground with turnover increasing by 3.4 per cent to DM 3.5bn. This represents a fall of 9 per cent in volume, as prices have also risen by some 3 per cent.

With little chance of expanding its national network of stores—which include the names of Wertheim and Bilka as well as Hertie—the group is concentrating its investment effort on modernising existing outlets. At the same time it is increasingly admitting independent selling operations into its stores in specialist areas.

Retail store groups in West Germany have been hit by the competition from other forms of retailing, particularly mail order and hypermarkets. This year problems are being increased by the general stagnation of retail sales.

In the first six months German retail sales rose by 5 per cent, implying no rise at all in volume. In June retail turnover showed a fall of 9 per cent in volume.

## Stake in Gammon House resold

By Philip Bowring in Hong Kong

SPECULATION about the fate of Gammon House, a much-traded Hong Kong office block, appeared to come to an end today when Mai Hou Enterprises, a public company, announced that it had reached agreement to sell a 75 per cent stake in the building for HK\$ 1.18bn (US\$239m).

Mai Hou acquired the building for a nominal sum only a few weeks ago from its unquoted parent, Carrion Holdings and announced shortly afterwards that it was negotiating its resale.

Headed Gammon House in January this year for HK\$ 998m from the Hongkong Land Company, which only a year previously had bought it for a mere HK\$ 700m from Jardine Matheson.

HK Land sold it because it

was losing heavily on the difference between the rental yield of the building and the cost of the money it borrowed to buy it. The yield at a cost of HK\$ 1.48bn is thought to be under 3 per cent.

The new buyer is a private company, Bynamson and Associates (Nominee). It remains to be seen whether the new owner is linked to the previous two. It is not clear why Carrion decided to forgo part of the profit by selling Gammon House to its 75 per cent subsidiary when the negotiations which led to the announcement were already in train.

THE SALE of a subsidiary for HK\$140m (US\$28.34m) has led Hutchison Whampoa, the Hong Kong trading and property conglomerate, to lift its forecast

for total net extraordinary profits for the current year.

Another Hutchison subsidiary, Hongkong and Whampoa Dock, formally agreed on Wednesday to sell Couper Investments to a joint venture company owned by Zung Fu, the Mercedes-Benz agency in Hong Kong, and Hongkong Land. Hutchison said that the sale was not expected at the time of the company's HK\$800m rights issue announcement last month, when the directors forecast that net extraordinary profits would be below the previous year's HK\$240m.

Hutchison said that net extraordinary profits now total HK\$282m including HK\$70m from the Couper sale.

Couper's only asset as a 13-storey car park and garage building, providing a gross floor area of 138,000 square feet.

## COMPANY LAW IN LIECHTENSTEIN

# Plugging the gaps in the statute book

By Andrew Fisher, recently in Liechtenstein

STUNG BY several well-publicised bank scandals in the late 1970s, the small principality of Liechtenstein has acted to make life harder for foreigners taking advantage of its low taxes and guaranteed anonymity.

With more than a little pressure from abroad, notably from neighbouring Switzerland, it has toughened up considerably on auditing requirements and local board members' qualifications for the mass of holding and financial companies established there since the 1920s.

For Liechtenstein is estimated to have up to 30,000 such companies within its narrow borders, several thousand more than its actual population. With yearly taxes of a mere

0.01 per cent of assets—plus a 4 per cent coupon tax for those paying dividends—the country is an obvious magnet for foreign tax avoiders.

The necessary legal changes, in the form of an amendment to the Personal and Company Law, entered the statute book this summer. In the main, they are directed at foreign-owned holding companies with a commercial or trading purpose.

It is these which have proved the most embarrassing in the past, notably in the case of the Teva Finanzanstalt, which was based in Liechtenstein and handled some SwFr 2.2bn (\$580m) of funds deposited at a branch of Credit Suisse, one of the three major Swiss banks.

The branch was in Chiasso, in southern Switzerland, near the

border with Italy, whose tax-savvy citizens used the town's banking facilities to deposit suitcases full of lire which had been brought up by train or in the back of a car. Eventually, Credit Suisse, which had been unaware of the branch's activities, had to write off more than SwFr 1.3bn (\$340m) as a result of the ill-considered investments made through Texon.

It was the Chiasso scandal, erupting in 1977, which really concentrated the minds of Liechtenstein's bankers and lawyers and made them decide to put their house in order before it was too late. But there have been tentative moves before this to stiffen the law. "We have done what could be expected," said Wilfried Kaufmann, deputy director of Verwaltungen und Privatbank, the smallest of Liechtenstein's three banks and active in the financial and holding company business.

Starting with their 1983 financial year, all commercially-oriented companies will have to present fully audited accounts to the authorities within six months of the year-end. Since there is nothing like enough local auditing capacity, accountability is likely to be a boom profession in the principality in the 1980s.

Until now, only a certain type of company—the AG (Aktiengesellschaft or share company)—had to submit audited figures, and then only if there were more than 20 shareholders. But from the time when the 1983 accounts are prepared, the Government will, it is hoped, have a far greater insight into the activities of foreign organisations.

Of less concern are the trusts and other companies formed by persons wanting a comfortable haven for their assets and not wishing to trade or do business. For this category, which probably outnumbers commercial companies, the new legislation is less strict.

Instead of presenting audited accounts, they will have to produce a declaration that a proper list of assets has been drawn

up and that no commercial dealings have been carried on. Often, such companies are handled by one local representative.

For Liechtenstein, financial and holding companies are a major source of revenue, though local manufacturing activity has developed rapidly in the past few decades. Out of last year's tax and customs duties revenues of SwFr 148m, they provided nearly a third, before including the various stamp duties, coupon taxes and other fees that were also paid.

With the country's flourishing stamp business, where most of the 100,000 or so regular subscribers are foreigners, the various trust and holding company services available in Liechtenstein must account for over half its budget of around SwFr 200m, reckoned Dr. Herbert Ballner, a leading lawyer.

In this estimate, he also had in mind the taxes paid by lawyers, trustees and other advisers. Liechtenstein has around 25 fully qualified lawyers, with three or four times as many trustees and fiduciary agents. Under the revised law, they will in most cases still be the only people who know the true identity of those behind the trusts, foundations, AGs, or Anstalts for whom they are acting. Thus their lucrative practices will clearly be at stake if anything illegal is uncovered by the audits.

Whether the new law goes far enough is open to question. "We have all been very concerned to polish up our country's image again," asserted Dr. Ballner in his expensively furnished office. For it was not only Chiasso that focused uncomfortable attention on Liechtenstein. So-called letter-box companies have also been involved in the affairs of Michele Sindona, the failed Italian financier, the late Shah of Iran, and the Lockheed bribes scandal.

Over the next few years, local administrators of trusts and holding companies will clearly have a lot of weeding out to do,

separating the good companies from the bad.

In recent years, foreign tax authorities, especially in West Germany and Italy, have tended to look askance at Liechtenstein companies, especially those in the form of an Anstalt. A conveniently flexible form of company, bearing little relation to the usual meaning of the word "institution," it falls somewhere between a company and a trust.

It remains to be seen how other governments will view Liechtenstein's attempts to clean up the ranker areas of the tax-avoidance business. One thing has not changed, however. Liechtenstein feels no responsibility towards countries which pitch taxes high enough to prompt flights of capital. Its own taxes remain enticingly low.

## BOTSWANA-RST LIMITED

(Incorporated in Botswana)

INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30 1980 FOR THE COMPANY AND ITS SUBSIDIARIES

	Half-year ended June 30 1980	Half-year ended June 30 1979	Year ended December 31 1979
<b>PRODUCTION AND SALES (Tonnes)</b>			
Production at Mine	13 627	19 442	39 833
Copper/Nickel matte	13 627	19 442	39 833
<b>Metal Contained</b>			
Nickel	5 331	7 990	16 173
Copper	5 195	7 032	14 583
Cobalt	78	146	294
<b>Sales</b>			
Matte	26 818	18 826	29 089
Half-year ended June 30 1980 (unaudited)	26 818	18 826	29 089
Half-year ended June 30 1979 (unaudited)	18 826	18 826	29 089
<b>CONSOLIDATED INCOME STATEMENT</b>			
Matte	60 245	31 703	54 959
Operating Profit	18 194	6 652	15 665
Less:			
Interest and commitment fees due to third parties	6 677	6 148	12 129
Interest on shareholder loans	18 045	10 246	23 948
(Profit) Loss on currency exchange fluctuations	1 951	607	(3 885)
Loss for the period	8 483	10 349	16 527
Attributable to:			
Minority shareholders of BCL Limited	—	198	198
Preference shareholders of BCL Limited	641	6 085	7 643
Net loss attributable to the shareholders of Botswana RST Limited	7 842	4 058	8 686
Accumulated deficit at beginning of the year	68 390	59 704	59 704
Accumulated deficit	76 232	63 762	68 390
<b>Net loss attributable to the shareholders of Botswana RST Limited converted into:</b>			
Sterling at the rate of P1=	20,540E	20,555A	20,555E
500's	£ 4 241	£ 2 254	£ 4 012
Dollars at the rate of P1=	SL2730	\$ 1 20	\$1 2600
500's	\$ 9 983	\$ 4 870	\$10 944

	Half-year ended June 30 1980	Half-year ended June 30 1979	Year ended December 31 1979
<b>CAPITAL EXPENDITURE AND COMMITMENTS</b>			
Capital expenditure	13 170	15 123	35 415
Capital commitments	6 159	11 559	7 182
Capital expenditure approved by the Directors but not committed	1 609	25 219	3 490

## REVIEW OF OPERATIONS

Operations continued at a satisfactory level until March 14 when the flash smelting furnace was taken off line for its planned overhaul. The furnace campaign had lasted 35 months compared with the previous best of 22 months. Mine costs were kept under control with increases being well below general levels of inflation.

The furnace overhaul was completed in 64 days during which time all of the major projects designed to increase production were also completed. Since start up on May 17, the anticipated increased production target of a 55 per cent increase in concentrate tonnage and an 18 per cent increase in matte production, have been exceeded. June production at 4,200 tonnes was the highest monthly production to date and represents a 26 per cent increase over the average monthly production achieved in 1979. The steady performance of the plant and lack of commissioning problems in the first full production month following the completion of the major furnace overhaul and capital expansion programme were particularly encouraging.

Due to the furnace shutdown, matte production for the six months was limited to 13,627 tonnes, compared with 18,826 tonnes for the same period in 1979 and 20,351 tonnes in the half year to December 31, 1979. However, during the furnace shutdown period the mine and the concentrator continued in full production and a significant portion of the concentrate produced and stock piled will be returned to process during the second half of the year.

Following the end of the strike at the Amax Nickel Refinery at Port Nickel, Louisiana, U.S.A., on January 15, 1980, the backlog of matte stocks was cleared in May 1980. This resulted in sales for the half year under review of 26,818 tonnes compared with 18,826 tonnes for the same period in 1979 and 10,263 tonnes for the half year ended December 31, 1979.

Work on the major ongoing projects continued and the Selebi mine came into full production on schedule on July 1, 1980. Shaft sinking at the Phikwe No. 3 Shaft also proceeded satisfactorily and it is anticipated the shaft will be commissioned in the third quarter of 1981.

The five year exploration programme, formulated to assist in determining future mine planning, was started and results to date have been encouraging.

The price at which the major producers sell melting grade nickel increased from U.S. dollars 3.20 per pound in January 1980 to U.S. dollars 3.45 per pound in late February 1980. The average price on which the revenue of BCL Limited is based improved to U.S. dollars 3.36 per pound for the half year compared with U.S. dollars 2.08 per pound in the corresponding period of 1979 and U.S. dollars 2.58 per pound for the whole year 1979.

The copper price which in January was U.S. dollars 1.18 per pound increased to U.S. dollars 1.32 per pound before falling back to U.S. dollars 0.91 per pound at the end of the half year. These prices compare with U.S. dollars 0.75 per pound in January 1979 and U.S. dollars 0.88 per pound in June 1979.

The cobalt price remained unchanged at U.S. dollars 25.00 per pound for the period. The operating profit of the group of P18.2 million (1979: P6.6 million) covered interest and commitment fees due to third parties. The improvement reflects the increase in matte selling values, the continuation of steady matte production prior to the smelter shutdown, the clearance of the matte stock pile built up during the period of the refinery strike and the good start made to the present furnace campaign.

After deduction of interest and commitment fees due to third parties, interest on shareholders' loans and losses on currency exchange fluctuations, there was a loss for the period of P8.5 million (1979: P10.3 million) of which P7.8 million (1979: P4.1 million) was attributable to the shareholders of the company.

During the period under review the principal shareholders were required to increase their loans to the group by P9.5 million in order to finance the capital expenditure programme and the debt service obligations of BCL Limited.

The negotiations with the various lenders and the Botswana Government, referred to in the chairman's review of the year ended December 31, 1979, were successfully concluded on May 29, 1980. As explained in the review, the new arrangements provide for the deferral of principal loan repayments and certain royalty obligations falling due during the period January 1, 1980, to December 31, 1983, to the extent necessary to enable BCL Limited to maintain its approved programme of capital expenditure and retain a reasonable level of working capital. Cash in excess of this requirement will be utilised to repay amounts so deferred under the arrangements, while all deferred amounts not repaid as at December 31, 1983, will be repayable in seven equal semi annual instalments, commencing June 30, 1984. During the tenure of these arrangements, and for the foreseeable future, dividend payments by BRST Limited are not anticipated.

We advise with regret the retirement of the chairman Mr. Ian K. McGregor, who has been a director of the company since January 1980. He has been succeeded by Mr. John W. Gott, a vice-president and group executive of Amax Inc., with effect from August 4, 1980.

Botswana House  
The Mall  
Gaborone  
Botswana  
August 15, 1980

J. H. FOREMAN  
A. B. McKERRON } Directors

## BASE LENDING RATES

A.B.N. Bank	16 %	Hambros Bank	16 %
Allied Irish Bank	16 %	Hill Samuel	16 %
American Express Bk.	16 %	C. Hoare & Co.	16 %
Amro Bank	16 %	Hongkong & Shanghai	16 %
Henry Ansbacher	16 %	Industrial Bk. of Scot.	16 %
A.P. Bank Ltd.	16 %	Keyser Ullmann	16 %
Arabout Ltd.	16 %	Knowles & Co. Ltd.	16 %
Associates Cap. Corp.	16 %	Langris Trust Ltd.	16 %
Banco de Bilbao	16 %	Lloyds Bank	16 %
Bank of Credit & Comm.	16 %	Edward Manson & Co.	16 %
Bank of Cyprus	16 %	Midland Bank	16 %
Bank of N.S.W.	16 %	Samuel Montagu	16 %
Banque Beige Ltd.	16 %	Morgan Grenfell	16 %
Banque de Rhodé et de	16 %	National Westminster	16 %
la Tamise S.A.	16 %	Norwich General Trust	16 %
Barclays Bank	16 %	P. S. Refson & Co.	16 %
Bremer Holdings Ltd.	16 %	Rossmister	16 %
Brit. Bank of Mid. East	16 %	Ryl. Bk. Canada (Ldn.)	16 %
Brown Shipley	16 %	Schlesinger Limited	16 %
Canada Perm't Trust	16 %	E. S. Schwab	16 %
Cayzer Ltd.	16 %	Security Trust Co. Ltd.	16 %
Cedar Holdings	16 %	Standard Chartered	16 %
Charterhouse Japhet	16 %	Trustee Savings Bank	16 %
Choulatons	16 %	Twentieth Century Bk.	16 %
C. E. Coates	16 %	United Bank of Kuwait	16 %
Consolidated Credits	16 %	Whiteaway Laidlaw	16 %
Cooperative Bank	16 %	Williams & Glyn's	16 %
Corinthian Secs.	16 %	Winttrust Secs. Ltd.	16 %
The Cyprus Popular Bk.	16 %	Yorkshire Bank	16 %
Duncan Lawrie	16 %		
Eagel Trust	16 %		
E. T. Trust Limited	16 %		
First Nat. Fin. Corp.	16 %		







## Companies and Markets

## New Meat Commission chairman appointed

By Our Commodities Staff

MR. DAVID SAMWORTH, chairman of Pork Farms, will succeed Mr. William ("Wally") Johnstone as chairman of the Meat and Livestock Commission on October 1, the Ministry of Agriculture announced yesterday. Mr. Johnstone completes his three-year term of office at the end of September.

Mr. Samworth, 45, is also a director of Northern Foods but he will be handling over his executive responsibilities within this company and within Pork Farms during the next few months, the Ministry said. He will retire from his directorships of these companies by March 31, 1981.

The Commission is an industry-funded quango providing statistical, research, carcass testing, and information services to meat producers and the trade.

Its operations were recently almost down to zero after a protracted struggle with the industry over proposed increases in slaughter levies, and Mr. Johnstone came under considerable criticism at this time. But yesterday's Ministry statement praised him for developing a new relationship between the Commission and the many different sectors of the meat and livestock industry.

It said this had provided a sound basis for the future of the commission.

## Fall in wool shipments

By Our Commodities Staff

ARGENTINA'S WOOL export shipments since the season began in October reached 94,195 tonnes at the end of June. This was 5.1 per cent down on shipments in the same period last year. Exportable stocks stood at 78,908 tonnes, a third higher than a year earlier.

In June 5,476 tonnes were exported, 36.1 per cent below the May figure but the country's Wool Federation said this was mainly due to seasonal factors as the season was drawing to an end. Argentina's shelled peanut output has slumped as growers switched to more remunerative maize and wheat crops, the National Agriculture Secretariat said.

## Jamaica banana industry devastated by hurricane

BY CANUTE JAMES IN KINGSTON

THE JAMAICAN banana industry, which supplies about 25 per cent of the British market, has been devastated by Hurricane Allen which passed through the Caribbean last week. There will be no exports for the next six months.

Mr. Desmond Leaky, Junior Minister for Agriculture, estimated damage to about 40,000 acres of bananas had cost the industry \$45m.

Immediate losses in foreign earnings have been estimated at \$15m. First attempts at replanting devastated fields will cost \$16m, the Minister said. Total damage to Jamaican agriculture is \$62m.

The island's banana farmers have been told to save what fruit they can from devastated fields, and shipments to England

this week will be the last until next year.

Mr. Leaky said that since bananas were an important part of the Jamaican diet, what was left intact by the hurricane would be used domestically.

The hurricane, said to be the most powerful to have entered the Caribbean this century, passed to the north of Jamaica.

The island's major banana plantations, in the north coast parishes of St. Mary and Portland, were levelled. Banana plantations in the eastern Caribbean, which also supply the British market, were also destroyed.

The hurricane-force winds also caused several of the island's sugar factories to close early because of damaged

equipment. This, says the agriculture ministry, will reduce this year's sugar crop by 3,000 tonnes. The crop is expected to produce 245,000 tonnes, the lowest for many years.

Torrential rains which accompanied the hurricane saturated the cane fields, and lowered the sucrose content in the crop, which has not yet been reaped.

This is likely to affect the island's exports, 90,000 tonnes of which are earmarked for UK refineries under the Lomé Convention with the EEC.

Several tonnes of early grapefruit, which should have been shipped to Britain shortly, have also been lost to the hurricane, as were many hundreds of pounds of the island's valued Blue Mountain coffee, shipped primarily to Japan.

## Fears for Manx herring fishery

BY A CORRESPONDENT

FEARS FOR the future of the Irish Sea herring fishery, which is important to the Isle of Man's economy, were voiced when the British Ministry of Agriculture and Fisheries ruled that the Manx Government cannot enforce a licensing system restricting the number of boats operating there.

Dr. Edgar Mann chairman of the Isle of Man Board of Agriculture and Fisheries, said the UK Government had used its powers under the Fisheries Act to make an order which would make waters outside the island's three-mile limit open to all boats which wanted to fish for herring during the high season, when the shoal, which swims through

the Irish Sea during the summer, is off the Isle of Man. "This is a matter of grave concern. With the licensing system there was control on catches," the fishery was normally closed in late September, said Dr. Mann.

Now the fishery may have to be closed earlier, as soon as the permitted tonnage has been caught.

"But, without the control of licences, the total catch could very easily go over permitted limits before we can take steps to close the fishery."

"That could mean serious long-term damage to the herring fishery in the area," he said.

The UK Government had made this order, he added, because of a recent judgment by the European Court, which declared that restrictions on fisheries were against EEC law.

The licensing system, which had been operated for some years by the Manx Government to protect the herring fishery off its coast, was not a subject of complaint, but the UK Government decided that it should be ended along with other restrictions.

In talks with Britain's Agriculture Ministry, Dr. Mann said he was told the Isle of Man could only impose restrictions within its own three-mile limit.

"In no way shall we agree to a situation which will expose the Irish Sea herring shoal to overfishing. This year, the change of system has come too late to the opening date of the high season, August 15, for boats from countries other than those who have traditionally taken part in the fishery to come into the grounds in large numbers," he said.

As to the future, Dr. Mann said that the Manx Government would continue to press for a 12-mile fishing limit.

This could come either through a United Nations law of the sea convention, or under the EEC common fisheries policy.

## Producers may pay \$50m into coffee fund

RIO DE JANEIRO

Mexico and Venezuela are thought to be willing to put an extra \$50m each into the Latin American coffee producers' \$450m price support fund, Sr. Octavio Rainhe, president of the Brazilian Coffee Institute, said here.

He declined to comment on whether Brazil was considering putting more money at the disposal of Panacea, the company formed recently to operate the fund. Reuter

Our Commodities staff writes: Talks on strengthening the fund have been going on for some time, as producers have become increasingly worried at its failure to prevent a substantial fall in world prices.

A producer policy of withholding their coffee from the market until prices recover has also done little to stem the decline, which last month took prices to their lowest levels for four years.

## U.S. price rise boosts copper

By Our Commodities Staff

CASH COPPER wirebars gained another \$6.5 to \$92.1 a tonne yesterday taking the rise in the past three days to \$18.25.

Dealers said trading on the London Metal Exchange was very quiet but prices were held up by the stronger tone in New York which was encouraged by the announcement of price rises of up to two cents a pound by several leading producers.

In London, the International Tin Agreement buffer stock finance committee met to consider a U.S. proposal to contribute up to 5,000 long tons of tin to the agreement's buffer stock.

But a disagreement over the price to be paid prevented a decision. The U.S. wants to be paid the market price for the metal but some committee members want to pay only the buffer stock floor.

U.S. reluctance to accept this is understandable as the metal would immediately be resold by the buffer stock

## FARMING

## When haymaking goes haywire

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

I CAN remember when haymaking was haymaking, but only just. The grass was usually cut rather late, after the longest day, and was handled almost entirely by manpower.

Tossed around with pitchforks to aerate it, then gathered into little heaps or pitches to let it dry, usually driven by a horse walking round in circles, which raised it on to the rack.

But by the time I started farming on my own the whole job had become mechanised. The hay was cut by machine, and then swept up to the foot of an elevator, usually driven by a horse walking round in circles, which raised it on to the rack.

The sweep produced a very tangled mat of material which had to be teased out to fill the elevator. This was very hard work because by this time the hay was always damp and the sun never shone at all.

Once in the rack it would often heat up. I never actually had one of my own racks burn, but once or twice it was a near thing. Often, though, it came out all right in the winter, and on the whole, the job went quite well.

Then just before the war we were presented with pick-up balers. These, as their name implies, pick up the hay at one end and deposit it in small, tidy bales at the other.

But their introduction meant hay was much more difficult to make. It was possible in the old days to put hay in a big rick in quite chancy condition and the natural heating that followed in many cases improved the hay, or at least I thought it did.

But in a small bale has to be just right or it will go wrong. It will not burn, or at least I am assured that this cannot happen, but it can go rusty or mouldy with the greatest ease.

I can honestly say that since the advent of the pick-up baler, I have found haymaking too difficult.

It is of course not always necessary to make hay. Silage making, the storing of grass

other material in its natural or partly wilted state has been brought to a fine art.

But since I only have sheep to feed in the winter I do not need the great quantities of silage that are required to make a decent clamp, nor have I the machinery either to build the clamp or to haul it out again.

So in general I either buy hay or make the odd field of 500 plus grass into it, preferably the former.

The great thing about buying hay is that I am not the prisoner of my own inadequacy as a hay maker.

I can pick and choose from the range offered me, and most years I am convinced I can buy it more cheaply than I can make it.

This year is rather more difficult. Because of the weather, which made haymaking all but impossible, very little good hay has been made at all anywhere. This goes for much of Western Europe as well.

Some hay has been made but its quality is simply awful. In the last week or two, better hay has been produced but generally from over-mature material, which I am assured by the scientists has little if any feed value.

So I have been driven into making some more of my own by the threat of having to pay an exorbitant price for hay—good or bad—next winter.

The material is second growth from a sheep field, and thanks to the rain over the last six weeks the grass, once cut, looked very reasonable.

It is still very young and this impact on standing crops.

had led to some difficulty because it simply will not dry properly or, should I say, it will not surrender its sap as easily as will more mature grass.

We have been trying to bale it since the weekend, but every time we think it is dry enough, a cloud comes over the sun and it immediately loses its crisp feel and reverts to a rough mass of fibres from which it would be easy to spin a hangman's rope—ideal to relieve the mind of a desperate haymaker.

Once it gets into this state, the baler does not like it and begins to miss out bales. Each bale which looked to be reasonable before, now seems to be twice as heavy and bound to heat a bit and go fusty.

It is still not quite fit and could do with another day or two in the field where I think it would not come to much harm. We were sure the weather would improve.

In point of fact, the very quality which is making it difficult to make, the young sap in the stems, is stopping the rain from spoiling it.

It is possible to get a machine which will fracture the stems and allow them to dry much more quickly, but by the time they are dry, the machine has made them dry also makes them much more vulnerable to rainfall. It is a "Catch 22" question really.

The irony of it is that this material put into a rick would transform itself into some quite reasonable material.

But there is no more rick-making machinery to be had and no one on the farm strong enough to build the ricks in the old-fashioned way, because they have never had to do so.

## India's grain crop hopes

NEW DELHI

The Agriculture Ministry is hopeful that India will produce a record 135m tonnes of foodgrains in the current agricultural year (July-June) despite torrential south-west monsoon rains in some parts of the country.

Mr. R. V. Swaminathan, Minister of State for Agriculture, said yesterday that the rains and floods in some northern states this year were expected to have only a marginal

impact on standing crops.

In Johannesburg, Mr. Denis van Aarde, manager of the South African Wheat Board, said his country may need to import wheat for the first time in 10 years if preliminary estimates of the drought hit 1980-1981 crop prove correct. These put the crop at about 1.4m tonnes, down sharply from actual output of 2.14m tonnes in 1979-80.

Reuter

## BRITISH COMMODITY MARKETS

## BASE METALS

COPPER—Gained ground for the third successive day on the London Metal Exchange following another good performance in U.S. markets. Forward metal opened the day at £242.50, trading around £234 throughout the morning in quiet conditions. In the afternoon three months metal moved up strongly on the Korb, in the wake of several producer price rises in the U.S., with forward metal finally quoted at £246. Turnover: 19,000.

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# Sentiment improves late following money supply figures

## Gilts 1/4 off and equity index 2.7 up at 477.3 after 471.7

**Account Dealing Dates**  
Options  
\*First Declara. Last Account  
Dealings Dates Dealings Day  
July 28 Aug. 7 Aug. 8 Aug. 18  
Aug. 11 Aug. 28 Aug. 29 Sept. 8  
Sept. 1 Sept. 11 Sept. 12 Sept. 22

\*New time \*dealings may take place from 9 am two business days earlier.

The recent downdrift in the two main investment sectors of stock markets was arrested yesterday on money supply growth in the four weeks to mid-July being no worse than expected following the stock administered to market last week by news of the recent upsurge in bank lending.

Although still relatively quiet, gilt-edged claimed most of the interest. Prices were lowered by about 1/4 throughout the list at the opening following the Bank of England's offer to provide a roll-over facility of £750m for the sale and repurchase of Gilts for four weeks from next Monday coupled with the request to limit use of the facility to securities of 12 months or less to maturity; the new facility replaces one of £500m which expires next Monday.

Quotations held around the lower levels until the 2.20 pm announcement of the latest money supply figures, after which a small rally got underway with the assistance of occasional bear closing which left final quotations around 1/2 lower on balance.

The equity leaders followed the trend in the Funds. Trading conditions were again extremely quiet, but the appearance of a few cheap buyers and the absence of selling pressure left the FT 30-share index up 2.7 on the day at 477.3 after having registered a loss of 2.9 at 11.00 am.

Few features emerged during the course of the trading session, the quarterly figures from BOC causing no surprises. Woolworth became a much steadier market after the previous day's weakness on the first-half slump in profits and reduced interim dividend, while other Store leaders also took on a better appearance.

Gold shares rallied afresh in line with the further recovery in the bullion price and the Gold mines index closed 10 points higher at 384.2.

Quieter conditions prevailed in Traded options with only 429 deals arranged. Lombar, 105, was the only issue to attract a three-figure business.

Charterhouse Petroleum, which staged an impressive debut on Wednesday despite adverse market conditions, closed unaltered at 75p, after 74p, compared with the offer for

sale price of 65p. Among other recently-issued equities, Peerless dropped 7/8 to 54p, after 53p, on the introduction of short time working because of a sharp fall in orders.

### UDT return

Early interest in the banking sector centred on UDT in which dealings were resumed following the previous day's surprise suspension which preceded news of the poor preliminary results and the Trustees Savings Bank acquisition of 78 per cent interest in the group's instalment credit business, reflecting disappointment that the suspension did not result in the much-rumoured bid, the shares opened at 48p, some 13 below the pre-suspension price, then drifted lower to 45p before a sharp recovery to 48p, the 16 per cent convertible 1979-81 closed at £130 compared with the suspended level of £170. Other Hire Purchases drifted easier with Provident Financial a couple of pence off at 130p. Moorgate Mercantile eased a fraction to 171p following details of the £5.9m fund-raising plans. With the exception of Lloyds, which gave up 4 to 288p, the major clearing banks closed at overnight levels.

Insurances closed at the day's best following an after-hours spurt. Still reflecting interim profits at the end of market expectations, General Accident put on 3 more to 312p, while Royal, the next major Composite group to announce half-yearly figures on Monday, ended 9 higher at 396p. Life issues closed with gains ranging to 7 as in Hambro Life at 255p.

### Stores rally

A touch easier at first leading Buildings usually picked up in line with the general trend and closed virtually unchanged on balance. Elsewhere, house-builders Federated Land improved 3/8 to 85p, but Gough Cooper shed 2 to 85p. Occasional selling clipped 5 from Vibro-plant, 280p, and 1 from Armitage Shanks, 101p, but P. C. Henderson came in for support and added 3 to 150p. Burnett and Hallamshire, a rising market of late on the company's coal interest, shed 20 to 770p in a thin market.

ICI slipped to 358p before closing a couple of pence firmer on balance at 362p. Other Chemicals also displayed narrow movements. Croda issues came on offer, the ordinary and preferred shedding 2 1/2 pence to 41p and 18p respectively.

Depressed on Wednesday by the acutely disappointing first-half statement from Woolworths,

leading Stores staged a modest rally although rises were usually attributable to a cessation of selling rather than to genuine support. Woolworths, - 53p, recovered 2 of the previous day's fall of 44, while gains of 6 were recorded by Gussies "A", 412p, and British Home, 160p. Marks and Spencer, 101p, and Burton, 110p, both firmed 3, while further speculative attention was directed towards House of Fraser, 4 better at 147p. Secondary issues lacked direction in a subdued trade, but Wearwell gave up 2 to 57p, while W. H. Smith fell 3 for a two-day loss of 7 at 138p.

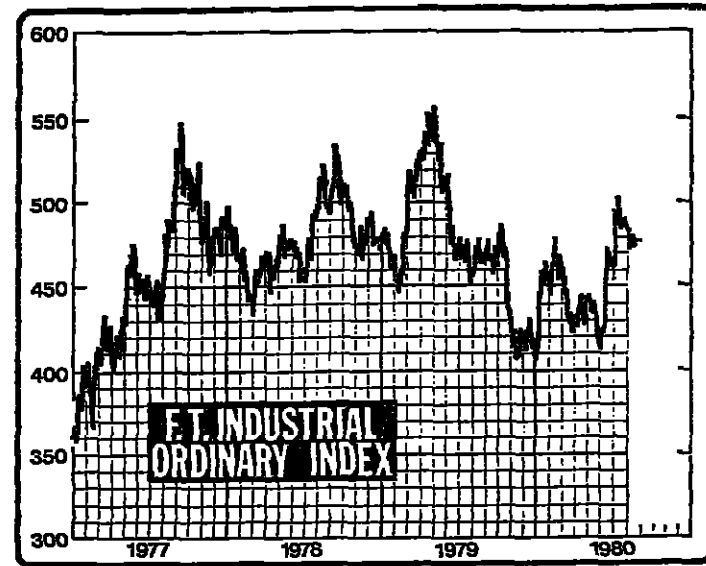
The sharp contraction in second-quarter profits left

rose 4 to 177p and Wadkin added 3 to 80p as did Chamberlain and Hill, to 60p.

Interest in Foods was at a low ebb, but the leaders occasionally managed minor improvements. Elsewhere, Associated Fisheries put on 3 to 78p on fresh speculative interest, but confectioners Squirrel Horn gave up 2 to 102p following lower interim profits. Ladbroke, up 3 to 177p on late support, provided the only worthwhile movement in Motels and Caterers.

### BOC improve

The third-quarter profits announced by BOC International were lower than expected, but shares edged forward a penny to



FT INDUSTRIAL ORDINARY INDEX

Philips Lamps down 32 at 385p. Scattered support was evident for other selected Electrical leaders which recovered most of the previous day's losses. GEC improved 6 to 432p, and Elexsys 5 to 232p. Thoma EMI added a couple of pence to 340p, but Boral eased that much to 375p. The increased preliminary earnings and dividend lifted Louis Newmark 23 to 403p.

Ratcliff (Great Bridge) became a notable casualty in Engineering, falling 5 to 46p on the poor first-half statement. Day Corporation came on offer at 99p, down 3, while falls of 4 were recorded in Porter Chadburn, 63p, and Spear and Jackson, 61p. W. G. Allen (Tipton) edged forward a couple of pence to 32p following the higher annual earnings and Astra Industrial closed 1 1/2 higher at 151p in response to details of the company's sale of a subsidiary and further fund-raising on a factory sale and leaseback arrangement. British Aluminium

79p. Other miscellaneous industrial leaders followed the trend of gilts, moving lower in the morning and rallying after the money supply figures. Gull improved 2 1/2 to 340p, but expected second-quarter figures, Unilever finished 7 better at 487p, after 478p. Glaxo closed 4 better at 230p, after 224p, and Boots improved 3 to 222p, after 217p. Elsewhere, AGB Research stood out with a rise of 7 to 182p in response to the good annual results and proposed one-for-three scrip-issue. LCP, however, fell 5 more to 64p on further consideration of the profits warning at the AG and Maurice James softened a penny to 10 1/2 pence in the chairman's similar warning in the annual report. Johnson Group gave up 3 to 173p ahead of next Wednesday's interim figures.

The Leisure sector had a couple of outstanding firm spots in Horizon Travel and Management Agency and Music, the former, a thin market, rising 15 for a two-day gain of 20 to 270p in

response to the interim results, and the latter gaining 9 to 143p on revived speculative demand.

The gloomy outlook for the UK industry continued to depress Motor Components. Flight Refuelling eased 3 more to 248p, while Supra fell a like amount to 70p. Kwik-Fit, a good market recently following the acquisition of Firestone's retail outlets, continued to produce a steady 3 to 81p. Automotive Products, the subject of persistent nervous selling recently fell to 60p in response to the near 60 per cent drop in first-half earnings, but the maintained dividend helped the shares recover to the overnight level of 62p.

BPC provided an outstanding dull spot in idle Paper-fronings, falling 3 to 24p following the surprise early announcement of a substantial interim deficit and, as earlier indicated, the absence of an interim dividend.

Modest falls in Properties were usually erased by the close and sometimes replaced with net gains. Land Securities regained the overnight level of 358p, after 355p, while MEPC finished a penny firmer on balance at 227p, after 225p. Haslemere Estates slipped to 344p before settling at 345p for a net fall of 4, but Great Portland Estates improved 2 to 360p. Elsewhere, the couple of pence to 265p. Elsewhere, Imry rose 5 for a two-day gain of 40 to 770p in response to the property revaluation, but Lagunvale Estates shed 2 to 35p, after 34p, on the announcement of a proposed rights issue of about 10m partly to finance a £1.5m property purchase. Late dealing lifted Marler Estates 6 to a 1980 peak of 52p, while Melneray revived with a gain of 1 at 94p. Carrington Investments, however, fell 3 to a 1980 low of 104p on the poor profits showing and the absence of a dividend.

### Ultramar please

Ultramar rose 12 to 389p in response to the sharply higher interim profits and better-than-expected dividend. Other Oils also took a firmer line, but business was small. British Petroleum hardened 2 to 352p, while Shell improved 8 to 416p. Lamo rose 15 to 710p. Tricentrol 4 to 335p, while Sovereign revived with a gain of 10 to 290p. Elsewhere, Global Natural Resources put on 35 to 500p on the good first-half profits, while Strata Oil firmed 4 to 136p on the encouraging Woodada report.

In Shippings, Reardon Smith A gained 3 to 71p following the return to profitability and the cautiously optimistic statement. Among barely-tested Textiles,

Courtaulds hardened the turn to 65p. Gaskell Broadloom added a couple of pence to 60p in front of today's mid-term statement, while scattered support lifted Sirdar a similar amount to 90p.

Narrow mixed movements were the order of the day among Plantations. Guthrie rose 13 more to 825p, while Harrison's Malaysian Estates picked up 6 at 185p. Malakoff improved 5 to 85p, but Anglo-Indonesian shed 6 to 102p.

### Golds up again

Another firm performance by the bullion price—finally 812 higher at 3658.50 an ounce—encouraged renewed support for South African Golds which made good progress throughout the day. The Gold Mines index recovered a further 10.0 for a two-day rally of 16.2 to 364.2.

The sharemarket got off to a good start following strong overnight American support and continued to edge higher during the day on persistent local and Johannesburg support which left closing prices at the day's best. Heavyweights registered improvements of up to a point as in Harland, £308. West Driefontein, £37, Harmony, £101, and the recently dull ERGO rallied 14 to 358p, in generally buoyant cheaper-priced issues.

London Financials gained ground with Gold Fields prominent and finally 9 better at 517p, while optimism over the Ashton diamond venture prompted a gain in Tanks of 3 to 333p.

South African Financials reflected the strength of Gold Fields and Anglo American advanced 25 to 660p and "Amgold" recovered 11 to £411.

The Australian market staged a fresh advance in line with overnight domestic markets. The Strata group issues moved ahead strongly following the encouraging results from the Woodada appraisal well which produced a higher gas flow than Woodada 1. Haoma Gold, which has a 16.3 per cent interest in Strata North West Mining, with 25 per cent of Strata, advanced 12 to 140p.

Among golds and base-metal issues, Bougainville fell 6 to 130p following the results, but Gold Mines of Kalgoorlie rose 6 to 406p. North Kalgoorlie 3 to 85p and Poseidon 2 to 216p.

In Tins, dealings in Malaysian, Southern Kinta and Southern Selangor were temporarily suspended at the request of the companies' requests pending the lifting of suspensions on the Kuala Lumpur exchange which has been closed for the past two days.

## FINANCIAL TIMES STOCK INDICES

	Aug. 14	Aug. 13	Aug. 12	Aug. 11	Aug. 10	Aug. 9	A year ago
Government Secs.	69.04	69.53	69.54	69.53	69.01	69.49	74.05
Fixed Interest	70.22	70.49	70.39	70.60	70.66	70.41	74.98
Industrial	477.3	474.6	480.6	478.0	478.1	478.2	478.7
Gold Mines	364.2	364.2	364.0	363.3	363.1	360.1	167.1
Ord. Div. Yield	7.56	7.58	7.54	7.55	7.53	7.59	6.79
Earnings, Div. Yld (%)	17.80	17.91	17.70	17.72	17.72	18.17	16.88
P/E Ratio (incl. 10%)	8.79	8.78	8.68	8.62	8.63	8.53	7.42
Total Bargains	18,908	16,626	17,866	18,961	20,698	19,816	—
Equity turnover £m.	—	97.63	100.54	86.91	115.57	103.17	85.21
Equity bargains total	—	12,084	13,040	15,167	15,092	12,018	11,846

10 am 473.3, 11 am 471.7, Noon 473.2, 1 pm 474.2, 2 pm 474.2, 3 pm 475.3, Latest index: 01-246 8028.

\* Nil = 6.33.  
Basis: 100 Govt. Secs. 16/10/26. Fixed Inc. 1828. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

## HIGHS AND LOWS S.E. ACTIVITY

	1980		Since Completion		Aug. 14	Aug. 13
	High	Low	High	Low		
Govt Secs.	72.54 (21/7)	63.85 (7/8)	127.4 (8/1/80)	49.18 (8/1/78)	66.2	83.0
Fixed Int.	74.08 (24/7)	64.70 (10/8)	150.4 (8/1/78)	60.53 (16/7/78)	69.1	80.9
Ind. Ord.	503.1 (18/7)	406.9 (8/8)	568.6 (26/4/80)	42.48 (26/4/80)	53.7	67.2
Gold Mines	382.8 (28/7)	265.5 (18/8)	448.3 (28/8/75)	43.5 (28/8/75)	105.9	113.7

## NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (30)		S.E. ACTIVITY	
Share	Price	Share	Price
Standard Chartered	135	British Funds	Up 25.3
Kode Ind.	137	Foreign Bonds	— 35.31
Agria Ind.	137	Industrial	135
Applied Computer	137	Financial and Foreign	135
Land Securities	137	Oils	21
Equity & Life	137	Plumettes	3
News Int. Serv.	137	Mines	97
Marler Estates	137	Others	43
Gaskell Broadloom	137	Totals	346
G.T. Jansz	137		567
Boustead	137		1,547
Malakoff	137		
Bond Corp.	137		

## RISES AND FALLS YESTERDAY

Share	Up	Down	Same
British Funds	—	—	—
Foreign Bonds	—	—	—
Industrial	135	280	388
Financial and Foreign	88	113	21
Oils	21	24	1
Plumettes	3	3	1
Mines	97	43	2
Others	43	35	2
Totals	346	567	1,547

## Retired bishop joins TV board

THE Rt. Rev. Francis William Cocks, who retired as Bishop of Shrewsbury on August 1, is to join the Board of Merca Television, one of three companies competing for the East and West Midlands independent television franchise.

He said television was "a key factor in the quality of life in the community and the establishment of its values." He hoped to play a part in working for better television.

## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS					Thur., Aug. 14, 1980					Wed. Aug. 13	Tues. Aug. 12	Mon. Aug. 11	Fri. Aug. 8	Year (approx.)	
Figures in parentheses show number of stocks per section	Index No.	Day's Change %	Est. Earnings Yield (%) (Max.)	Gross Div. Yield (%) (ACT at 3.95)	Est. P/E Ratio (Net)	Index No.	Index No.	Index No.	Index No.	Index No.					
1 CAPITAL GOODS(172)	276.58	+0.1	16.50	5.95	7.31	276.42	278.95	278.56	277.71	249.25					
2 Building Materials (28)	251.28	+0.6	18.31	6.67	6.43	252.80	254.51	255.60	256.37	232.96					
3 Contracting, Construction (27)	405.80	+0.6	22.87	5.99	5.20	408.26	412.23	412.39	413.14	376.82					
4 Electricals (17)	816.25	+1.0	11.80	3.25	10.38	808.01	817.44	815.63	810.38	626.27					
5 Engineering Contractors (11)	325.28	+0.1	20.88	8.01	6.01	328.65	330.29	331.21	332.66	268.61					
6 Mechanical Engineering (73)	179.17	+0.2	17.10	7.45	7.13	179.54	180.40	179.00	178.34	178.27					
7 Metals and Metal Forming (16)	163.75	+0.6	22.13	10.36	5.39	164.80	167.14	168.08	169.59	165.43					
CONSUMER GOODS															
1 (DURABLE) (49)	231.08	+0.1	16.23	5.52	8.44	231.42	233.94	232.92	232.13	238.03					
2 L. Electronics, Radio, TV (14)	347.78	+0.2	13.77	4.05	11.11	348.40	351.35	350.65	348.87	334.53					
3 Household Goods (14)	92.54	+0.4	26.18	11.07	4.82	93.82	95.74	95.89	94.10	151.77					
4 Motors and Distributors (21)	181.01	+0.2	22.37	9.30	5.33	180.82	183.15	181.64	181.67	161.97					
CONSUMER GOODS															
1 (NON DURABLES) (172)	233.11	+0.6	17.69	6.92	6.83	231.80	234.10	233.29	233.13	244.15					
2 Breweries (14)	284.67	+0.2	15.97	6.47	7.31	284.13	286.64	288.57	287.74	271.74					
3 Wines and Spirits (5)	309.36	+0.1	19.61	6.59	6.00	309.00	311.09	310.37	312.73	322.64					
4 Entertainment, Catering (17)	330.31	+0.6	17.46	6.77	7.09	328.48	332.77	331.63	331.63	313.92					
5 Food Manufacturers (21)	212.61	+0.3	19.07	7.07	6.36	211.79	212.63	209.66	209.36	208.99					
6 Food Retailing (13)	349.28	+0.1	12.09	4.56	9.88	349.43	351.45	349.04	348.00	320.00					
7 Newspapers, Publishing (13)	433.27	+0.4	21.70	7.40	6.07	433.13	434.94	433.55	433.18	416.33					
8 Packaging and Paper (15)	129.35	+0.3	27.62	10.12	4.21	129.79	130.30	130.35	129.29	129.58					
9 Stores (45)	230.97	+1.6	13.64	5.45	9.56	227.26	231.73	232.30	229.80	254.86					
10 Textiles (21)	121.56	+0.1	27.04	12.99	4.50	121.74	123.17	123.73	124.02	157.39					
11 Tobacco (3)	224.18	+0.4	25.60	10.38	4.45	225.26	225.26	225.26	225.45	247.49					
12 Toys and Games (5)	26.67	+1.8	8.43	14.29	27.42	27.17	27.52	27.52	27.17	79.25					
OTHER GROUPS (99)															
13 Chemicals (16)	349.02	+0.3	20.88	7.80	5.71	347.95	351.95	350.78	350.82	283.81					
14 Pharmaceutical Products (7)	225.92	+1.1	11.20	6.12	11.04	224.64	226.04	225.93	225.95	229.73					
15 Office Equipment (6)	230.25	+0.6	19.10	7.83	6.11	230.82	232.16	232.35	231.28	224.88					
16 Shipping (10)	252.88	+0.2	12.95	5.96	9.42	254.24	255.95	256.80	255.04	237.07					
17 Miscellaneous (60)	278.20	+0.6	16.28	6.65	7.51	279.83	282.39	281.73	280.95	246.44					
18 INDUSTRIAL GROUP (492)	248.81	+0.3	17.01	6.57	7.13	248.10	250.55	249.73	249.31	230.80					
19 Oils (8)	797.16	+1.2	27.84	6.46	5.97	797.94	798.07	798.99	797.74	679.54					
500 SHARE INDEX															
20	279.31	+0.5	19.30	6.35	6.10	280.90	283.95	283.63	282.78	275.39					
FINANCIAL GROUP (118)															
21	292.37	+0.1		5.63		277.84	272.62	272.09	272.38	194.42					
22 Banks (6)	225.37	+0.3	44.81	7.14	2.65	226.00	227.30	227.12	228.29	226.78					
23 Discount Houses (10)	280.59	+0.6		6.32		282.86	285.54	284.38	284.63	264.96					
24 Hire Purchase (5)	213.12	+0.1	14.94	4.70	3.96	222.19	227.49	231.31	228.24	169.63					
25 Insurance (Life) (0)	230.25	+0.8		5.53		228.37	229.66	225.39	224.87	185.06					
26 Insurance (Composite) (9)	134.14	+1.4		7.06		131.57	131.57	131.57	131.57	127.86					
27 Insurance Brokers (9)	150.57	+0.5	13.97	7.68	9.83	149.20	150.39	151.33	151.33	133.99					
28 Merchant Banks (12)	134.54	+0.2		5.22		135.04	134.57	134.03	133.79	97.79					
29 Property (45)	433.69	+0.2	3.26	2.71	42.66	443.37	439.86	436.69	437.74	374.71					
30 Miscellaneous (12)	141.07	+0.1	14.66	6.25	8.67	141.13	141.15	140.56	140.01	118.80					
INVESTMENT TRUSTS (109)															
31	256.32	+0.1		5.61		256.29	256.46	255.32	254.88	215.14					
32 Mining Finance (3)	242.07	+0.8	12.41	4.33	9.70	240.05	241.70	241.18	241.84	125.44					
33 Overseas Traders (20)	421.12	+0.6	11.95	7.01	10.09	418.81	413.39	414.89	416.95	343.77					
ALL SHARE INDEX (750)															
34	279.24	+0.4		6.28		278.11	280.36	279.71	279.26	252.21					









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# FT SHARE INFORMATION SERVICE

## LOANS

High	Low	Stock	Price	Yield	Div.	Yield
100	100	Public Board and Ind.				
100	100	100	100	100	100	100

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

High	Low	Stock	Price	Yield	Div.	Yield
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## FOREIGN BONDS & RAILS

High	Low	Stock	Price	Yield	Div.	Yield
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## AMERICANS

High	Low	Stock	Price	Yield	Div.	Yield
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## Over Fifteen Years

High	Low	Stock	Price	Yield	Div.	Yield
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## Updated

High	Low	Stock	Price	Yield	Div.	Yield
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## INTERNATIONAL BANK

High	Low	Stock	Price	Yield	Div.	Yield
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## CORPORATION LOANS

High	Low	Stock	Price	Yield	Div.	Yield
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## COMMONWEALTH AND AFRICAN LOANS

High	Low	Stock	Price	Yield	Div.	Yield
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## BANKS AND HIRE PURCHASE

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## BUILDING INDUSTRY—Contd.

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## ELECTRICALS—Continued

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## CHEMICALS, PLASTICS

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## ENGINEERING MACHINE TOOLS

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## DRAPERY AND STORES

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## Hire Purchase, etc.

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## BEERS, WINES AND SPIRITS

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## BUILDING INDUSTRY, TIMBER AND ROADS

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## CANADIANS

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## Greater unity in EEC urged

By Philip Rawstorne

TWO GOVERNMENT Ministers yesterday called for greater collaboration in economic, industrial, scientific and foreign policies in the European Community.

Mr. Peter Walker, Minister of Agriculture, said Britain's presidency of the EEC in the second half of 1980 would provide a unique opportunity to give new momentum to the EEC.

"It will be an ideal time for Britain to give an imaginative and positive lead to Europe—a lead that will enable Europe to obtain its proper place as a major economic and political grouping in the world," he said in Worcester.

Mr. Walker dismissed the "faint-hearted" view that the EEC had failed and Britain should pursue an isolationist policy.

"Europe's total economic strength, and the power that it will provide, will be needed in a decade in which there will be a multitude of economic, political and social pressures," he said.

Dynamic policies had to be developed that would raise the Community's horizons beyond local arguments and questions about the Common Agricultural Policy.

Close relations should be created with Third World countries to make Europe the main supplier of their plant, machinery, management expertise, and technology, he said.

The EEC should develop the technology and financial climate to promote the recycling of raw materials. It should set the pace in developing new sources of energy and in energy conservation.

"Europe has the economic muscle to collaborate jointly to have the finest research programmes in the world. With imagination and vision, it can also explore ways of reaping the advantages of science and technology... find ways of meeting the social consequences of economic growth and technological application."

Mr. Douglas Hurd, Minister of State at the Foreign Office, said in Oxford that the Government wanted to build on the success already achieved in co-ordinating EEC foreign policy.

He said Britain was making three proposals for improvements.

A system under which a request from any three countries would trigger a meeting within 48 hours.

A firmer commitment to joint action; and

A permanent staff, seconded from national governments, to work under the EEC presidency.

Mr. Hurd said that foreign policy consultation and co-ordination in the Community should be carried out as rapidly as possible. "The static rhythms of nineteenth-century diplomacy are not much use

going on."

Mr. Anderson stressed that he expected "to find a place" in his campaign for Kennedy supporters, at least 50 per cent of whom, he claimed, were thinking of deserting Mr. Carter.

Yet for all the reservations about the President voiced by rank-and-file Kennedy delegates, the Democratic Party's hierarchy is gradually rallying round Mr. Carter.

His erstwhile opponent Governor Jerry Brown of California also finally endorsed Mr. Carter in a speech to the convention on Wednesday night which was noteworthy for its orthodoxy and for the absence of some of the more esoteric arguments with which he has been associated.

Mr. Brown, who will probably run again in 1984, seemed anxious to position himself in the mainstream rather than on the fringes of the Democratic Party, and he made much of the dangers of a Reagan Presidency.

## Pact to supply Nato missiles

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

AN INTERNATIONAL missile agreement which could result in contracts worth hundreds of millions of pounds for UK, US, and West German aerospace and electronics manufacturers has been signed by the three countries.

The Ministry of Defence said yesterday the UK and West Germany would develop a new Advanced Short Range Air-to-Air Missile and the US would develop a complementary Medium Range Air-to-Air Missile.

France, while not a signatory to the Memorandum of Understanding, has a special

status, with the option of becoming a full participant at a later stage if the missiles involved meet her requirements.

The aim of the pact is to produce a generation of air-to-air missiles which will meet NATO's requirements to the end of the century and beyond, while sharing costs and widening the prospective markets.

This collaborative deal is the first major agreement under the NATO "family of weapons" concept, designed to help standardise weapons in the alliance.

The European governments and the U.S. will each be able to produce both the ASRAAM and AMRAAM missiles in numbers required to meet their own and Nato's needs.

The pact should help to make better use of technological resources by removing wasteful competition. Collaborative agreements in other weapons areas are being considered.

Precise details of the new air-to-air weapons have not been worked out, although preliminary studies have been undertaken in all the countries concerned.

The first steps will be to study requirements, define the programmes needed, and work out the cost and work-sharing arrangements on specific ventures.

In the UK, it is certain the Dynamics Group of British Aerospace, as the major Western European missile manufacturer, will be heavily involved, so probably will Messerschmitt-Bölkow-Blohm in West Germany.

Many other companies in the electronics and communications industries in the countries concerned will also eventually play a role.

## No Observer agreement after talks at ACAS

BY NICK GARNETT, LABOUR STAFF

THE OBSERVER management and the National Graphical Association spent five minutes together yesterday to confirm that there was no basis for settlement of the machine managers' dispute which threatens to shut the newspaper.

Management refused to improve its pay offer, linked to new printing arrangements. Union national negotiators met the company at the Advisory, Conciliation and Arbitration Service, after talks with their officials, and repeated two proposals already turned down by management.

These proposals were "rejected out of hand," Mr. Joe Wade, general secretary of the union said after the meeting.

Asked where the dispute went from there, Mr. Wade said: "To the closure of the Observer."

According to management, this overshoots the budget criteria it has been given. It also comes on top of an offer to the 55 machine managers—which management says would result in extra costs in consequential union claims of £230,000 above that originally intended.

The union, which has agreed a 5.93 per cent rise for 48 pages for the Saturday night-Sunday morning shift has offered to stand by this agreement provided there are fresh negotiations for the few occasions when management wish to print more than 48 pages.

Alternatively the union is seeking the extra £8.50 payment offered by management for 64 pages to be made when the paper is 56 pages. The management has offered £3.25 for 56 pages.

"Our proposals would have cost only £150 more a night on the few rare occasions that a larger paper would be produced," Mr. Wade said.

Management says one formula leaves the question of payments for a large paper open even though negotiations have been designed to fix a firm agreement on this. The other formula means extra costs on the pay bill which it is not prepared to carry.

## Local authorities warn workers of pay rises below 10%

BY NICK GARNETT, LABOUR STAFF

NEGOTIATIONS for municipal and county councils warned yesterday that local authorities will not be able to afford pay settlements above single figures when the new pay round begins in the autumn.

Manual workers, with a November settlement date, are first in the round. An attempt by employers to secure a pay deal below 10 per cent for this group, which went on strike during the winter of discontent of last year could lead to considerable negotiating difficulties.

Elected representatives of local authorities have already discussed informally what they believe to be accelerating financial pressures on councils and how this will have to be translated in wage bargaining.

It seems possible that employers will wish to move away from wage rounds and a going rate to varying settlements dependent on local authorities' fluctuating finances.

The employers said in the current wage round they could afford only 8 or 9 per cent, but so far have been going to about 13 per cent.

Mr. Brian Rusbridge, employers' secretary for the national joint council for local authorities, said yesterday the financial position had deteriorated.

Wage negotiations in the next round would catch local authorities by their backs to the wall.

It is still unclear how much below 10 per cent the local authorities will attempt to settle.

Growing financial pressures have resulted from three factors—the size of pay settlements, including that for the teachers; the expectation of tighter cash restrictions by the Government, particularly as a result of council "overspending"; and the growing impact

of the recession on industrial rate collections.

Mr. Rusbridge refuted claims from the white-collar National and Local Government Officers' Association that some authorities were prepared to go above the 13 per cent offered by their central negotiators. This group has rejected the offer, due for settlement last month.

The authorities overwhelmingly supported the negotiators and because of deteriorating finances a growing number were saying that "13 per cent takes them beyond what they believe it is prudent to pay," Mr. Rusbridge said.

NALGO delegates will be recommended to accept arbitration to resolve the dispute.

Local authority negotiators say privately that, under arbitration, their position will be made more difficult by the Government's 18.75 per cent settlement for the Civil Service from April.

## Recession may hit bottom by January

By David Marsh

A GLIMMER of hope that the worst of the recession might be over by the beginning of next year was provided yesterday by the Government's latest batch of forward-looking economic indicators.

The Central Statistical Office's index of longer leading indicators, which looks ahead to turning points in the economy in roughly a year's time, rose in July for the third successive month, and has been on an upward trend since the end of 1979.

It is now clear that the index hit its lowest point at the end of last year. This is an indication that the trough of the recession might be reached by around the end of this year or the beginning of next.

In past years the index has proved fairly reliable in giving advance warning of future trends in the economy, emerging within a space of 11 to 13 months.

The main reason for the renewed rise of the longer leading index last month was a rise in share prices and a drop in short-term interest rates. These factors outweighed a drop in business optimism as recorded by the Confederation of British Industry.

The CSO's index of shorter leading indicators, which points to trends over the next six months or so, fell again in July, suggesting that economic activity will drop further over the next few months.

The index of coincident indicators—which is broadly in line with the business cycle—also fell in July, mainly as a result of reductions in the adjusted figures for retail sales and manufacturing output.

## Weather

...UK TODAY...

CLOUDY with some thunder, brighter but showery later.

London, S.E. E. Cloudy, some thunder. Max 23C (73F).

Central and N. England, Midlands, Channel Isles. Rain, some fog, brighter later. Max 21C (70F).

W. England, Wales, N. Ireland, W. Scotland, Isle of Man. Sunny intervals, showers. Max 20C (68F).

Rest of Scotland. Thundery rain, showers, later. Max 19C (66F).

Outlook: Dry and sunny at first, some rain on Sunday. Temps. near normal.

## WORLDWIDE

Y'day midday Y'day  
Algeria 20 79 Lisbon 20 67  
Algiers 20 85 Locarno 25 77  
Amsterdam 20 68 London 23 74  
Athens 20 86 Ljubljana 28 64  
Bahrain 20 70 Luxembourg 23 72  
Barcelona 20 82 Madrid 28 53  
Beirut 20 88 Majorca 28 84  
Belgrade 20 85 Palma 28 80  
Bern 20 72 Moscow 22 72  
Berlin 20 72 M'chestr. 22 72  
Birmingham 22 72 Melbourne 25 78  
Bristol 21 70 Milan 25 79  
Brussels 20 74 Newcastle 22 72  
Budapest 20 84 Nice 26 79  
Cairo 20 83 Nicosia 28 82  
Cardiff 18 64 Oporto 18 62  
Casablanca 20 75 Oslo 22 72  
Cape Town 20 16 Paris 26 78  
Cologne 20 18 Perth 25 78  
Copenhagen 22 72 Prague 18 66  
Cairo 20 85 Reykjavik 25 72  
Dublin 20 84 Rhodes 28 82  
Düsseldorf 20 77 Rio de Janeiro 25 77  
Edinburgh 20 78 Rome 29 84  
Faro 20 82 Salzburg 21 79  
Florence 20 86 Singapore 25 77  
Frankfurt 20 79 Stockholm 22 72  
Geneva 20 77 Strasbourg 23 74  
Glasgow 20 74 Tangier 25 77  
Helsinki 21 70 Tehran 20 87  
Hofburg 20 80 Tokyo 29 86  
Innsbruck 20 79 Tunis 29 84  
Istanbul 20 79 Valencia 28 84  
Lima 20 15 Venice 25 77  
Lisbon 20 82 Vienna 28 77  
London 22 72 Warsaw 20 79  
Lyon 20 84 Zurich 21 79  
L. Pims. 24 75

## THE LEX COLUMN Why the banks got warned off

Index rose 2.7 to 477.3

The gilt-edged market is so insured to scenes of horror that it had to stifle a yawn when the full set of banking figures for July turned out just as last week's dress rehearsal had suggested. The Bank of England line is that the underlying monetary picture got no worse in July, but this is only marginally reassuring, since there is still no accurate indication of how bad things were before.

In the money markets, the smoothing process goes on. The second leg of the August sale and repurchase agreement with the banks has been rolled over to the tune of £50m, but the banks have been told not to use the money to play the gilt-edged market. It is understandable that the authorities, who have been none too pleased with the banks since they discovered the scale of asset evasion, should want to stop the present crazy game, under which they buy gilts from the banks to allow them to buy more gilts.

The money supply figures show another reason for the control. Of some £11bn gross sales of gilt-edged in banking July, less than £500m ended up with the UK non-bank private sector. The rest went to banks and foreigners, against the interests of money supply control. But shutting off banks from the market is a funny way of making institutions buy, and it is a pity that a new restriction was felt to be necessary.

Earlier this summer the market raced ahead because foreigners were buying in large quantities and because—after the end of the corset—the banks were free to have a go, partly on money lent by the Bank of England. The institutions only bought the market because it was rising. Most of them are already overweight in gilts, and would just as soon put their money abroad.

Sooner or later, funding will have to resume. The Bank can let yields on very long stocks—which the banks and foreigners do not like—rise to a level that will tempt the institutions back; persuade the institutions.

## Philips

Philips looks like exceeding its target for a 5 per cent increase in volume this year—with a 7 per cent gain on the first half already under its belt—but the improvement has been made only at the expense of margins. After the modest squeeze of the first quarter, trading margins have contracted by nearly a third in April-June. Together with sharply higher interest charges, this has led to a halving of pre-tax profits in the latest quarter to £1.15m, to produce a first half figure of £1.422m, against £1.612m. The shares fell £1.3 yesterday to £118.1.

Colour TV remains the most vulnerable area, although there has been a slight recovery from the second half of last year, while the new videocassette model is said to be winning back market share. Stocks are still climbing, although the restructuring measures should begin to reduce levels in the second half. This should allow a reduction in net debt and a fall in interest charges, which have absorbed nearly two-thirds of trading profits in the second quarter. Nonetheless, pre-tax profits may be no better than £1.800m this year, against £1.1bn, and there can be little optimism about either competition or consumer demand next year.

## BOC International

A steady performance in industrial gases is going to leave BOC International with

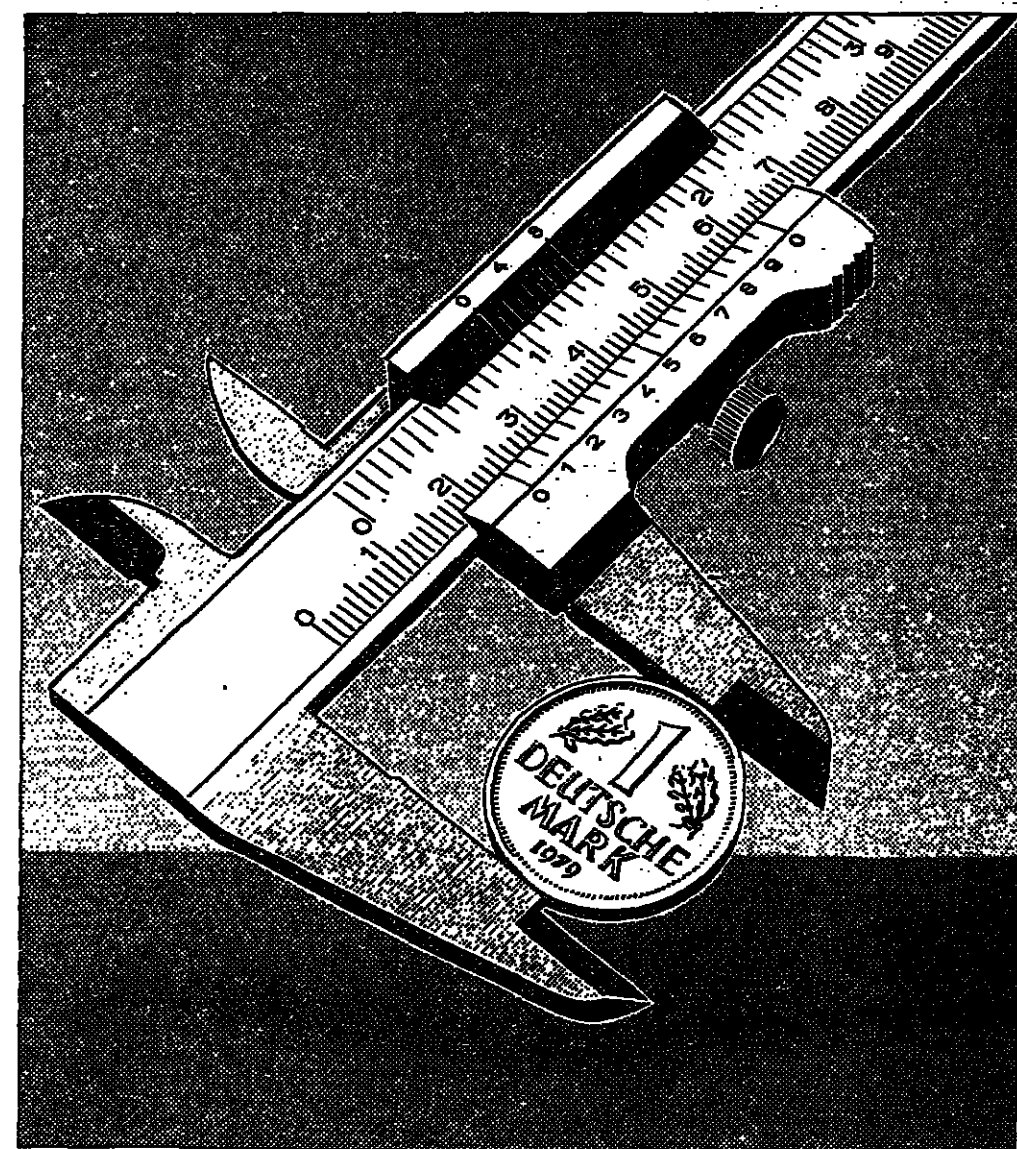
only a modest fall in profits during 1979-80—at least by comparison with other companies in its sector of industry. Third quarter results have been hit by a sharp downturn in the U.S. and, to a lesser extent, by reorganisation costs. But the overall trend has not deteriorated by much, and reported profits after nine months are just 23.7m down at £47.7m pre-tax. If depreciation had been charged on a normal historic cost basis, BOC would actually have posted a small improvement.

Volume in UK gases is slightly ahead so far, and despite a decline in the U.S. overall profits from gas are higher. BOC is pushing hard to improve the returns in the rest of its business, and it looks as though there are more sales and closures to come. Although it is probably showing a small book profit on its disposals to date, there will be a £10m extraordinary charge against earnings this year. That should more or less cover the reorganisation programme.

Longer term, BOC would obviously gain from any sustained fall in interest rates—its finance costs are just over twice covered—and there are prospects of steady growth in gases. So the outlook still appears to be better than it is for manufacturing industry as a whole: the prospective yield at 79p is probably about 8.5 per cent, well covered.

## BPC

The latest corporate casualty is BPC, in which Pergamon Press recently took a 25 per cent stake through a dawn raid. BPC has moved into a £8.5m pre-tax loss in the first half of 1980; more losses are in prospect in the second half, and the dividend has gone. Debt is just passing its annual peak, but will close the year above last year's net £39m. Ordinary shareholders' funds must be low £32m, and the capitalisation at 24p is £9.4m.



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## Laker to reduce U.S. fares

Continued from Page 1

have a guaranteed reserved seat, with full in-flight service, including films, stereo, drinks and duty free goods.

For years rival airlines had said there was no such thing as a "forgotten man in air travel."

"We have just carried him of them," said Sir Freddie.

"The forgotten man has given Laker a break, and now, starting on October 15, we are going to offer everyone the chance of a totally unrestricted air fare to America. Go when you like, come back when you like, stay as long as

you like, for only £92 super economy from London to New York, or £75 standard.

"The U.S. is a buyers' market for everyone, not only for holidays and family reunions, but for businessmen as well. The business executive who now pays £1,188 first class to New York and back can fly with Laker and save £1,004."

Sir Freddie said his new cheap standard fares were not stand-by fares of the kind offered by his rivals.

"They are reserved seats, for travel the same day, or if the selected flight is full, for travel on the first subsequent flight. Once the ticket has

been purchased, the passenger has a firm reservation."

So far this year, Skytrain had carried more passengers than during the whole of last. His fleet of 11 DC-10 wide-bodied jets were making 42 round-trip flights between the UK and the U.S. every week, or six every day. With the charter, his fleet was making 108 single Transatlantic crossings every week.

"This is the year of recession, with everybody screaming, crying in their beer and running to the bank. But there is no recession in Laker Airways. Our package holidays are carrying more people

than ever before. We have only 200 seats to fill (in holiday flights) before the end of the summer season."

Laker Airways has applied to extend its Skytrain licences across the North Atlantic to include direct flights from Manchester and Prestwick, as well as Gatwick, while the airline is also interested in additional U.S. destinations, such as Detroit.

Laker has also applied for a Skytrain-type service to Australia, and to Hong Kong. The Australian application is due to be heard in November, and that for Hong Kong in early October.